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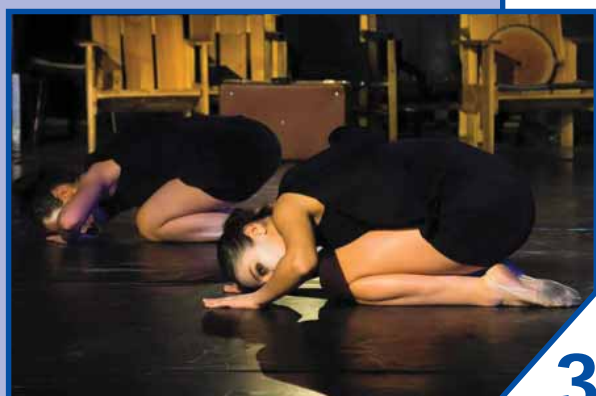
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# EBRD Signs Deals Worth \$55 Million During Annual Meeting

THE EUROPEAN BANK OF RECONSTRUCTION AND DEVELOPMENT (EBRD) SIGNED FOUR DEALS IN BANKING, BROADCASTING, HEALTHCARE AND WASTE MANAGEMENT DURING ITS ANNUAL MEETING IN TBILISI ON MAY 13-15. INVESTOR.GE'S LIKA ZHORZHOLIANI SPOKE WITH EBRD DIRECTOR FOR THE CAUCASUS, MOLDOVA & BELARUS, BRUNO BALVANERA.

LIKA ZHORZHOLIANI

## \$55 MILLION IN NEW AGREEMENTS, TWO NEW COUNCILS

The EBRD-Georgia meeting included \$55 million in agreements and two very important initiatives – the Investors Council and Women in Business, Bruno Balvanera told Investor.ge. The deals will impact a number of sectors: a \$31.5 million package of loans, including support for SMEs, energy efficiency and trade finance, was signed with Basis Bank; a sovereign loan of €7 million will be provided to introduce a modern solid-waste management system in the southern region of Kvemo Kartli; a \$10.9 million loan to Aversi Pharma,



LLC will be provided to support plans for local hospitals and the improvement of pharmaceutical supplies; and, together with the EU, a €1.9 million loan will be provided to local broadcast operator Stereo+ Ltd to help switch from analog to digital broadcasting.

"The EBRD is very keen also to broaden the impact of its investments and support into more rural regions and support the recent development of tourism," he said.

"We have a very strong pipeline of investment projects, and we remain committed to further developing Georgia's economy. You just need to watch this space."

## ON THE MAP FOR GLOBAL INVESTORS

The EBRD annual meeting and business forum in Tbilisi brought together more than 2,000 EBRD employees, investors and businesspeople from over 60 countries.

The meeting also helped "put Georgia on the map of global investors," Balvanera said.

"It provided an excellent opportunity for participants to gain further insight into the economic climate of the region, especially with regard to investment opportunities in Georgia. It provided a fruitful

opportunity for the participants to discuss important economic and investment issues affecting the EBRD's region of operations," he said.

That is important for Georgia, especially today, when foreign trade, investments and tourism are all down — a trend that helped push the EBRD to downgrade its expectations for the country's economic growth in 2015 from its initial prediction of 4.2 percent to just 2.5 percent.

"Over the past 22 years, we have invested over 2.3 billion euros in more than 176 individual projects in Georgia," Balvanera noted.

"Throughout these years, the EBRD has been a critical partner for the development of the banking sector, infrastructure, and renewable energy, SMEs (including property and tourism) as well as the agri-business sector," he said.

"The Bank is very keen to encourage and support Georgia on its path toward the EU, while helping the SMEs to develop further to comply with the DCFTA requirements."

In particular, Balvanera said, the EBRD recognized Georgia's "particular competitive advantage" and "supports the country's capacity and aspiration of becoming a regional hub."

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# Georgian Economy Will Grow Stronger in 2016 – IMF, EBRD

FORECASTS FOR THE GEORGIAN ECONOMY SHOW THE COUNTRY WILL SUFFER A SHORT DIP IN GROWTH IN 2015, BUT IT IS EXPECTED TO START TO RECOVER IN 2016.

## IFI EXPECTATIONS

The Georgian economy will grow in 2015 at a faster rate than neighbors Armenia and Azerbaijan, according to a May 19 report from the International Monetary Fund (IMF).

The IMF pegged Georgia's growth at 2 percent, which is down from 4.7 percent in 2014, but stronger than Armenia's (expected to have a negative growth rate of -1.0 percent) and Azerbaijan's, which is dropping from 2.8 percent growth last year to just 0.6 percent growth in 2015.

The Russian economy, according to the IMF report, will grow slightly in 2015 compared to 2014, from 0.2 percent last year to 0.5 percent this year. The European Bank for Reconstruction and Development (EBRD) published similar findings in May. While the EBRD cut expectations for Georgia's economic growth by nearly two

percentage points to 2.5 percent, compared to their initial, January forecast of 4.2 percent, EBRD also predicted stronger growth in 2016.

## WEAKER LARI, STRONGER DOLLAR

The Georgian lari has noticeably weakened over the past several months, echoing of similar trends across the region.

The IMF report said economies across the Caucasus and Central Asia are suffering due to a stronger dollar and a weaker ruble, as well as a drop in oil prices.

"The twin shocks of the economic slowdown in Russia, a key trading partner, and lower oil prices are taking a toll on the region," Juha Kähkönen, Deputy Director of the IMF's Middle East and Central Asia Department told reporters in Almaty, Kazakhstan, according to the IMF website.

The lari's decline has been attributed

to a number of factors, including a substantial drop in remittances (down over 21 percent this February), as well as lower foreign trade and investments.

Galt & Taggart Research forecast in its March 2015 report that "depending on the dynamics in tourism/FDI inflows and imports, we expect the US\$/GEL to remain within the 2.10-2.30 range for the remainder of the year."

In an interview with the Georgian business website, the (IMF) Resident Representative in Georgia, Azim Sadikov, praised how the National Bank of Georgia has handled the currency exchange situation, saying that allowing the lari to fluctuate compared to the U.S. dollar has been "best reaction to economic shocks."

He noted that "a more flexible lari" will help Georgia develop in the mid-term.

"The government may run the fiscal policy, while the National Bank of Georgia may tighten the monetary policy. However, this could lead to a recession and depress the economy. So there is a choice between temporarily strengthening the lari and economic growth," Sadikov was quoted as saying.

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# Exchange Rates and the Car Market. Why the Declining GEL is Not What You Think

THE DECLINE OF THE GEORGIAN LARI HAS BEEN AT THE CENTER OF A HUGE AMOUNT OF DISCUSSION IN GEORGIAN POLITICS AND BUSINESS CIRCLES. THIS IS NOT SURPRISING. AT ITS LOW POINT IN MAY 2015 THE GEL HAD DECLINED A TOTAL OF 35% SINCE OCTOBER 2014. THIS HAS OBVIOUSLY INCREASED THE PRICE OF IMPORTS AND CAUSED INCREASES IN LOAN PAYMENTS FOR ANYONE WITH USD-DENOMINATED LOANS. IT IS THEREFORE A POTENTIAL RISK FACTOR NOT ONLY FOR IMPORT BUSINESSES BUT FOR THE ECONOMY AS A WHOLE.

GEORGE WELTON

**T**he four most commonly cited reasons for the declining lari are decreases in trade, remittances, FDI and tourism. Of these, trade is the most significant. In simple volume terms, exports are about double the size of remittances and three times the size of FDI as sources of foreign currency. It is also clear that the year-on-year drop of exports has been troubling. In the first quarter of 2015, exports were down 28% compared to the same period in 2014.

Most of this decline is generally blamed on the regional market, but the “regional market” explanation misses the fact that more than half of the decline oc- ►►

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## Decline in exports in Q1 2015

Total	\$172
Of which:	
Cars	\$94
Wine	\$32
Fertilizer	\$22
Manganese	\$12
Water	\$12

## Increase or decrease in car exports compared to the same period for the previous year

Q1 2013	\$12 million
Q2 2014	-\$48 million
Q3 2014	-\$74 million
Q4 2014	-\$82 million
Q1 2015	-\$94 million

example, if they are coming from Europe. It is also partly the result of local demand.

Understanding the dynamics of the car business in Georgian balance of trade is important for a range of reasons. Most obviously it means that the pressure on the currency that was created by the huge trade imbalance is likely to decline in the near future.

Imports dropped by 15% in April 2015 compared to March, and there is strong anecdotal evidence that local car prices have dropped significantly. One would also

► curred in the car market and is explained by very specific legislative changes in Azerbaijan and Russia, more than it is explained by the broad regional market.

Second, when looking at trade patterns and their impact on the exchange rate, the issue is not how much exports declined, but how much the trade deficit increased. This requires consideration of imports as well.

## DYNAMICS OF THE CAR TRADE IN GEORGIA

For a long time, Georgia's biggest export category and its biggest import category has been cars, particularly second-hand cars. This market is huge. In 2013, Georgia exported \$704 million in cars and imported \$852 million. In the first quarter of 2015, the export of cars dropped by over 62% compared to the same period in 2014 or by \$94 million. This represents around half of the overall drop in exports.

So, why did the drop in exports occur without a corresponding drop in imports, and what is the significance of this? The drop in exports may partially reflect a slow regional market, but the bigger part of the story is that in April of last year

the Azerbaijani government initiated a regulation which limited car imports. The impact was immediate.

Before the imposition of the ban, exports were growing moderately, but after the ban, they dropped and carried on dropping.

This had a huge impact on Georgia's balance of trade because imports were slow to respond to the drop in demand. In the first quarter of 2015, imports of cars only dropped by 10% compared to the previous year. Therefore, in this single quarter the change in the dynamic of import of cars has created \$79 million increase in trade deficit, which is 41% of the total deficit for the quarter. As a comparison, the decrease in remittances year-on-year for the first quarter of 2015 was \$74 million, so the changes in the car market had more impact on the larity than the total reduction in remittances for the same period.

Why the slowdown in exports did not result in an immediate slowdown in imports is unclear. It could be the result of confused price signals which resulted from the high-priced dollar. A high priced dollar may make dollar-denominated second hand cars appear cheaper, for

expect the current economic situation and the value of the local currency to impact the local car market significantly. Altogether, one would expect this to reduce car imports and so reduce pressure on the currency in the next few months.

Another possible option is that since the market has been closed by a legislative issue, it can be corrected by it as well. At the current time, we have been told that high-level discussions are taking place between the Georgian and Azerbaijani governments on exactly this issue.

If successful, this could have an immediate positive effect on the Georgian larity and would be a huge relief to the large car-trading sector of the economy, which had grown significantly in recent years. However, more than that, this seems to suggest that the current difficulties of the larity may not be a long-term necessity of the structural regional circumstances. This gives a far more optimistic interpretation of the potential for short-term improvement. This may, therefore, offer a somewhat more optimistic outlook for the Georgian larity and the economy generally than is currently understood.



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# Improving Access to Finance in Georgia

THE GEORGIAN STOCK MARKET COULD BE A POWERFUL TOOL IF USED PROPERLY AS THE COUNTRY SEEKS OUT WAYS TO DEVELOP ITS CAPITAL MARKETS. FINANCE WRITER SALLY WHITE SETS THE SCENE FOR A SERIES OF ARTICLES ABOUT THE GEORGIAN STOCK MARKET AND THE ROLE STOCK MARKETS PLAY IN THE REGION.

SALLY WHITE

Georgia is taking a radical look at its national money management. There is widening acceptance, following May's European Bank for Reconstruction & Development (EBRD) Tbilisi annual meeting, that Georgia needs deeper and more developed markets for capital. A new study, "the Georgian Capital Market – Diagnostic Study and Recommendations," written with the support of the Asian

Development Bank (ADB) and USAID – has just been released by a working group comprised of the Ministry of the Economy, the Ministry of Finance, the National Bank, the Prime Minister's office and a former Chairman of the Securities Commission, who requested to remain anonymous.

A highly technical document, it nevertheless raises hopes that that local corporate access to risk capital and investors can be improved.

Challenges facing Georgia as the economy struggles include falling fund inflows: remittances from Georgians abroad in Russia and Ukraine are down, so is foreign investment, and export growth is threatened. Problems have also arisen as much capital provision from the Georgian banks has been in dollars – their strategy has been to fuel their cash requirements with dollars from international markets and to on-lend in dollars, too. With a weakening lari, this "dollarization" creates problems for their Georgian borrowers. Longer term solutions for capital provision in local currency are, say the EBRD, IMF et al., badly needed.

Proven international models are for longer-term local funding to be supplied via capital markets – through the sale of shares and short - and long-term bonds. On the supply side, these draw a wide range of investors internationally from institutions and individuals looking for gains and income. For the demand side, they provide a diversity of funds, including risk capital for companies of all sizes – not a popular business for banks.

The diagnostic document is bank-centric, reflecting the shape of Georgia's financial sector. However, it encompasses everything from the stock exchange itself to legislation, regulation, taxation, the banking sector, companies, funds, and government strategies and funding,

with a glance at savings markets, pensions and insurance. This study will be discussed with all key stake-holders in a series of consultation over the summer.

## THE BACKGROUND

"Georgia has become the regional champion in terms of reforms, economic development and progressing of democratic institutions" – the EBRD'S introduction for its Tbilisi-based annual conference in May voiced this familiar praise. Yet, in contrast to its robust banking sector, the stock exchange in Georgia, an engine for economic growth in other countries, has languished – neglected, with just a trickle of business and "on the brink of bankruptcy" (according to last year's Regulatory Impact Assessment from USAID). In neighboring Azerbaijan and Armenia, reported trading volumes and new issues far outpace those in Georgia, and the IFIs are boosting exchange business with public offerings.

For several years now, international financial institutions (IFIs) –including the World Bank (WB), IMF, ADB and the EBRD – have been commenting on Georgia's need to tackle its "undeveloped" capital markets. A capital market is a broad term that includes the stock market and other venues for trading shares, bonds and other financial products.

As the IMF commented last December in a *Financial System Stability Assessment* (FSSA) report on Georgia: "Capital markets are almost non-existent. ...[T]he government debt market is still relatively small. ...The development of the capital market has been dampened by the unwillingness of high-quality issuers to participate locally...Trade execution is carried out directly by the three share registries or via off-exchange fixings, which undermines confidence..."

Georgia is like the European Union



(EU) in having strong banks but weak capital markets. The EU is itself seeking to strengthen its capital market to “complement banks as a source of finance.” With a priority of “jobs and growth” it is doing so, it says, to “overcome the obstacles which prevent businesses from reaching investors”.

This is a view often stated in EBRD transition reports, but setting out its rationale the European Commission says in a Green Paper, Building a Capital Markets Union, published this February, that stronger capital markets would:

- unlock more investment for all companies, especially SMEs (micro-, small- and medium-sized enterprises), and for infrastructure projects;
- attract more investment to the EU from the rest of the world;
- make the financial system more stable by opening up a wider range of funding sources
- provide access to equity and impact on corporate governance

Change “EU” to “Georgia” and this text applies equally. For Georgia, the IMF says in its December SSFA, “SMEs

development is an essential pillar of Georgia’s development strategy,” adding that “access to finance is among the main constraints to business growth.”

The Georgian Stock Exchange, founded in 1999 with basic legislation, regulation and infrastructure already in place, held its own for a time. Yet recent years have been tough, indeed. This was not just because of the conflict with Russia and the local, then international, financial crises. Nor was it only because of the unwillingness of its tiny corporate sector of investors to use it. Of course, none of this helped.

Government strategies and actions and, as the IMF comments in that FSSA, the banking “authorities’ skilful management,” has enabled the banks (particularly two of them) to weather well the financial storms of recent years. But this has resulted in neglect of development of other capital markets and so now banks completely dominate the financial sector.

As the Georgian government’s just-published document “Capital Market Diagnostic Study and Recommendations” points out, a “level playing field”

has been lacking. Apart from the tax code, the legal and regulatory systems, lack of promotion, and lack of official support or links to international financial infrastructure (to name just a few) are all listed as needing to be addressed.

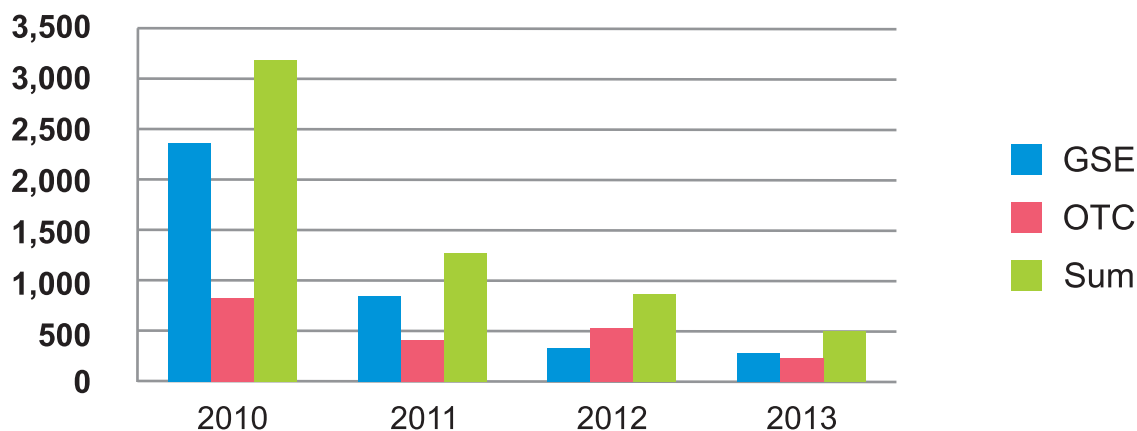
Plus, “several policy missteps (were) made in 2007.” Then “a radical set of amendments were made” to the law which, although “couched in terms of liberalization,” resulted in trade being allowed to move off the market. The current state of Georgia’s stock market is largely “self-inflicted,” the study says.

The USAID Regulatory Impact Report says the migration to OTC trading is contributing to structural deficiencies which “discourage potential Georgian or foreign investors ...”

In 2014, the Georgian stock market’s trades totaled \$28m. By the end of last year, only 1.82% of securities trading transactions were going through the stock market. Thus, a huge majority of trading was off-market, eroding protection for investors and diminishing the status and attraction of Georgia’s stock market in the eyes of domestic and in- ▶▶

**Georgian Stock Exchange – from Capital Market Diagnostic Study and Recommendations: May 2015**

## Number of Transactions GSE and OTC



► ternational investors.

As the USAID report of last September – *Regulatory Impact Assessment: Georgian Law on Securities* – comments, the state of the stock exchange “leaves the majority of local business with limited options for attracting additional capital.”

It adds: “Commercial banks have almost fully assumed the role of capital providers for small and medium size business.” Some of the largest companies who needed finance from capital markets have sought it through foreign stock exchanges.

Like all trading venues, stock markets need the support of high-spending customers if they are to stay in business. However, no one came to the rescue of the Georgian stock market. Not the Georgian corporates or the Georgian bankers (internationally banks prefer to be the provider-of-capital of choice). Not even the international organizations came to the rescue, even though they point to the Georgian stock market’s lack of development. The IFIs have issued bonds totaling of GEL 205m in the last year or so, all avoiding the stock market.

However, there are many contrasts in the former Soviet space. Take Azerbaijan, described by the U.S. State Department in its Diplomacy in Action country briefing as also having an “undeveloped financial service sector — banking comprises more than 90% — which inhibits economic stability, growth and diversification.” There the IFIs have been joined in government strategy to strengthen capital markets. As announced in the WB’s *Azerbaijan Partnership Program Snapshot of April 2015*, it has a \$13.6 million programme in progress to increase the use of equity

and debt financing. Both the EBRD and the ADB have, according to Bloomberg, “actively” expressed interest in selling debt in manat.

A Trend News Agency report gave Baku’s Stock Exchange trade last year as totalling \$8.2bn, although that was down by 3.74% on 2013. Azerbaijani state securities’ trade fell 41% to \$4bn, but corporate securities’ trade nearly tripled to \$3.8bn. So, the Baku bond market has become extremely successful, even attracting oversubscriptions by investors when \$4bn worth of applications were received for a new \$1.25bn sovereign bond last year.

**Yet, in contrast to its robust banking sector, the stock exchange in Georgia, an engine for economic growth in other countries, has languished.**

While the Baku Stock Exchange has seen 49 bond issues, it is just starting to develop shares trading. Once volume is sufficient, the exchange plans then to move on to developing equity derivatives. According to Pasha Bank in last September’s issue of *BNE Invest in Azerbaijan*, “Azerbaijani companies are increasingly looking toward Azerbaijan’s capital markets to raise funds on favourable terms.”

In Romania, again working with government, the EBRD has taken a 4.9% stake in the Bucharest Stock Market (BVB) and EBRD’s website states that, “As a shareholder, the Bank is working to establish the BVB as the preferred exchange for Romanian issuers and traders, as well as for investors with an appetite

for Romanian stocks and other financial instruments.” It has invested €75m in the \$500m market-traded bond programme.

In Armenia, with another government seeking to develop its way out of having a bank-dominated financial sector, the Armenian Stock Exchange has become part of the major international NASDAQ OMX network of exchanges. In February last year, it listed the inaugural bond of the EBRD in Armenian dram. The EBRD bond follows the Armenian government’s issue of its first Eurobond. In February this year, the exchange announced that it was launching an online trading platform for government bonds.

The Head of the Armenian Stock Exchange, Konstantin Saroyan, was quoted by the Armbanks financial-banking news portal as saying that the online platform would allow individuals, too, to participate in online trading. According to Saroyan, “it is very important for the exchanges that this plan succeeds.”

He added: “It is no secret that many banks prefer off-exchange trade of government bonds, but NASDAQ OMX Armenia will try to prove that transactions with government bonds effected through the exchange are more profitable and more attractive.” Last year, total Baku Stock Exchange total trade reached a record \$5bn, according to Armenpress news agency.

Unaccustomed to being outperformed in this way by its neighbours, and short of funds to drive economic growth, Georgia is now making capital markets development a strategic priority.

***Sally White has worked in capital markets for several decades, including for international banks, brokers, the media and as a consultant with the London Business School.***



# Georgia's EU Association Agreement: A Clear Winner for "Soft" Economy Sectors

TBSC CONSULTING'S PAUL CLARK AND TENGIZ LOMITASHVILI RESEARCH THE IMPACT OF EU ASSOCIATION AGREEMENTS ON DEVELOPING ECONOMIES TO DETERMINE WHICH SECTORS OF THE ECONOMY BENEFIT MORE FROM THE EU'S DEEP AND COMPREHENSIVE FREE TRADE AGREEMENT (DCFTA). THIS ARTICLE WAS ORIGINALLY PUBLISHED IN EU FINANCE MAGAZINE IN MAY.

At TBSC Consulting, we are often asked which sectors of the economy will grow faster than others or which sectors are most favorable for investment. Of course we have opinions, based on working in and

studying the Georgian economy for more than 15 years. Nevertheless, when asked questions of this type, we usually choose to not give definite answers without further research. We have found that the correct answer nearly always depends on the details of the particular question asked.

The EU-Georgia Association Agreement (AA) will have a large impact on the Georgian economy. A client recently asked us if manufacturing is likely to outperform other sectors of the economy due to the Deep and Comprehensive Free Trade Agreement (DCFTA), which is part of the AA. We did some preliminary research, including considering the experience of the New Member States (NMS) of the EU after those states signed their AAs in the 1990s. Some results from that research are shown here. To be clear, this is not academic research. Rather, it is focused on answering practical business questions from clients.

## ALL ROADS LEAD TO GROWTH

Georgia signed its AA with the EU in June 2014. The AA will have a significant positive impact on the Georgian economy (estimated at about 6.5 percent of GDP) though the effect on different sectors will

vary widely. To better understand those different effects, we studied the sectoral experience of the NMSs that signed AAs in the early 1990s and acceded to the EU in 2004. One could argue that Georgia now is at the stage of economic development (with the EU), where those NMSs were in the mid-1990s.

NMSs signed AAs from 1992 through 1997 and acceded to the EU in 2004 and 2007, respectively. For the initial analysis, described here, we took the period from 1995 through 2004 as the study period. This is the phase in which Georgia finds itself today (i.e., just after signing the AA).

## "SOFT SECTORS" VS. "REAL SECTORS"

Using national account data from EuroStat, known as the `nama_nace10_c`, we examined changes in Gross Value Added (GVA, at basic prices) for eleven major sectors between 1995 and 2004. Comparing the GVA in 1995 and 2004, we calculated Cumulative Annual Growth Rates (CAGRs).

The following chart shows the CAGRs of the EU-15 (the 15 existing Member States before 2004), the 10 NMSs as a group and each NMS individually. The first row shows the CAGR for the entire economy. The later rows show the CAGRs for eleven sectors that total to the entire economy. We grouped the sectors into three types: soft, real and other. This grouping is not academically oriented, but it helps better answer the question from our client.

Cells in the chart are green if the CAGR for the sector is 10 percent or greater than the CAGR for the whole economy. The green cells can be considered to be the Winner sectors, those sectors that outperformed the whole economy (after signing the AA). Cells are red if the CAGR for the sector is 10 ▶▶

SECTOR	EUROPEAN UNION (15 countries)	NEW MEMBER STATES (10 countries)	NEW MEMBER STATE									
			Cyprus	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Malta	Poland	Slovakia	Slovenia
Whole Economy	4.5%	8.5%	6.6%	8.4%	14.4%	10.1%	12.9%	15.3%	5.4%	7.6%	9.5%	6.3%
SOFT SECTORS												
Trade, ... (a)	4.7%	8.8%	4.7%	8.5%	16.2%	9.9%	17.0%	17.6%	3.5%	8.0%	9.8%	6.4%
Arts (b)	5.1%	6.9%	7.2%	7.7%	15.3%	5.4%	13.8%	15.0%	10.2%	6.1%	12.3%	5.2%
Information And Communication	7.1%	14.8%	12.3%	15.0%	15.6%	16.1%	18.7%	23.2%	10.6%	14.7%	13.3%	9.6%
Real Estate Activities	5.0%	9.0%	7.2%	7.1%	13.2%	11.3%	16.3%	11.7%	8.8%	8.6%	10.7%	5.7%
Professional And Scientific (c)	6.1%	12.8%	8.0%	8.9%	20.3%	14.0%	14.0%	25.5%	7.3%	15.0%	13.3%	9.3%
REAL SECTORS												
Construction	4.4%	7.1%	7.0%	7.1%	15.1%	10.6%	16.2%	15.5%	4.1%	4.4%	11.9%	7.0%
Manufacturing	3.3%	8.2%	3.6%	9.5%	12.3%	10.6%	7.8%	16.1%	2.6%	6.5%	8.6%	5.8%
Other Industry Sectors (d)	0.0%	7.0%	8.8%	5.0%	12.9%	9.5%	7.8%	14.4%	4.7%	6.2%	10.7%	7.7%
Agriculture, Forestry And Fishing	1.0%	3.1%	0.5%	2.7%	9.3%	4.0%	5.1%	4.6%	3.9%	2.4%	5.4%	0.6%
OTHER SECTORS												
Public Administration (e)	4.7%	8.8%	8.6%	9.0%	13.1%	10.0%	11.8%	14.0%	7.6%	7.8%	9.1%	6.9%
Finance And Insurance Activities	5.0%	10.1%	9.8%	8.7%	21.5%	9.7%	12.5%	12.9%	6.6%	13.4%	3.9%	4.0%

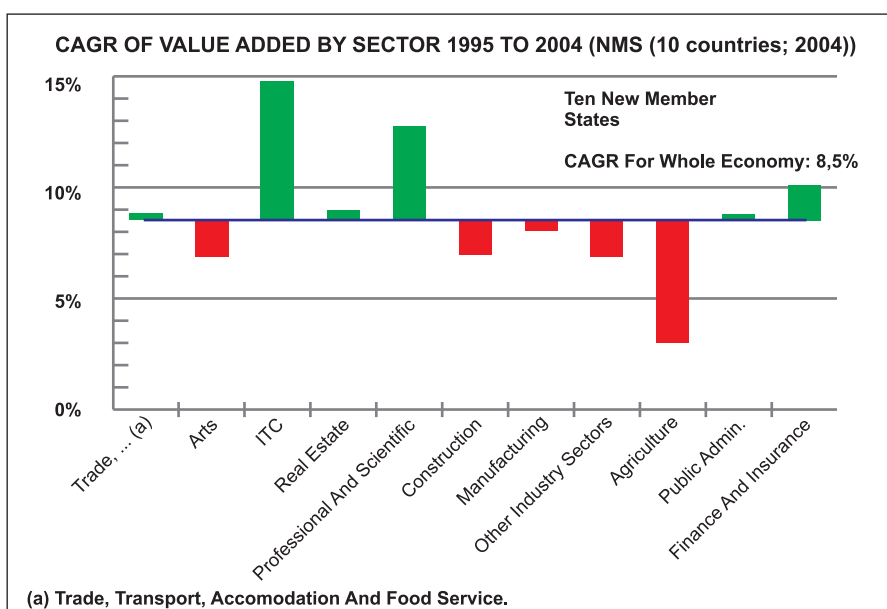
► percent or more less than the CAGR for the whole economy. The red cells can be considered to be the Loser sectors, those sectors that underperformed the whole economy. Even Loser sectors showed positive growth rates; those growth rates were just less than for the whole economy. Cells are yellow if they are between the Winners and the Losers. Yellow cells can be considered to be the 50-50 sectors, those sectors that have generally performed the same as the whole economy.

Soft sectors are mostly Winners; they are generally green. Real sectors are mostly Losers; they are generally red. Other sectors are mixed. This means that, on average, soft sectors grew appreciably faster than real sectors among the NMSs after the AAs were signed.

This does not mean that the real sectors did not grow in the NMSs.

Comparing the CAGR for the EU-15 and the NMSs shows that in nearly all cases the real sectors grew faster in the NMSs, as a group and individually, than was the case in the EU-15.

The real sectors among the NMSs grew well, just not as fast as the whole economy.



### “SOFT” WINNERS SHINE

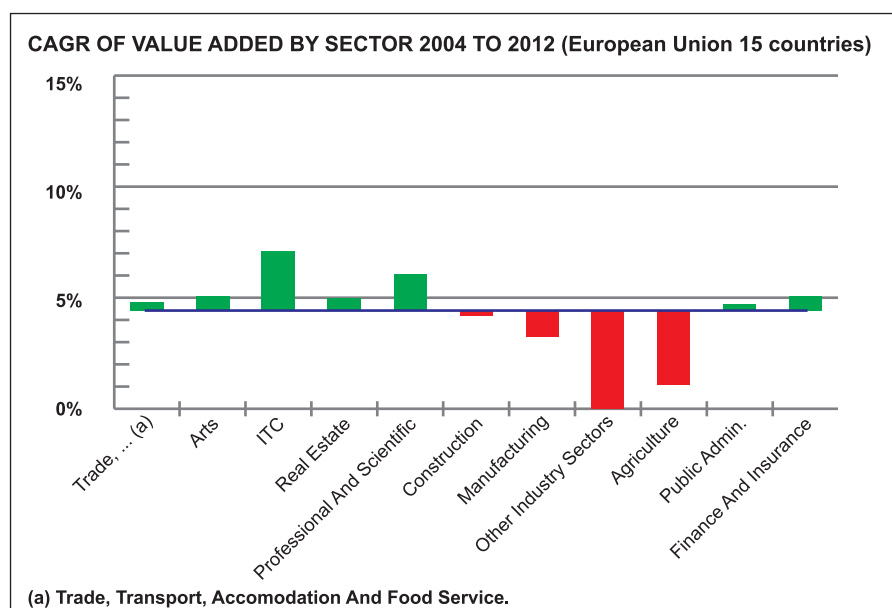
Overall results are shown in the following charts. The above chart shows CAGRs for the ten NMSs. The overall CAGR was 8.5 percent, shown by the horizontal blue line. Results varied by sector.

Most soft sectors performed better than the whole economy, shown with green bars. All real sectors performed worse than the whole economy, shown with red bars.

The lowest CAGR among all sectors

is agriculture, at 3.1 percent; said differently, all sectors grew at 3.1 percent per year or more.

The chart below shows CAGRs for the EU-15. The overall CAGR was 4.5 percent. The overall CAGR for the EU-15 is much less than the overall CAGR for the NMSs. Results varied by sector. All soft sectors performed better than the whole economy. All real sectors performed worse than the whole economy, though construction was exactly at the whole economy CAGR.



*TBSC Consulting (www.TBSC.ge) is a general management consulting firm in Tbilisi, Georgia. Its consultants have been advisors to managers and to boards of directors of companies worldwide for more than 30 years. TBSC Consulting provides services in Market Entry and Expansion; Performance Improvement; Policy and Decision Analysis and Real Estate and Hospitality. Paul Clark is the Director, and Tengiz Lomitashvili is a Managing Consultant and Partner, of TBSC Consulting.*





# NERGETA'S SUCCESSFUL EXPORT: Sharing Our Lessons

INVESTOR.GE INVITED HANS GUTBROD, THE FOUNDER OF NERGETA, TO SHARE WITH READERS HOW HIS COMPANY FOUND ITS NICHE IN THE EU MARKET. IF YOUR COMPANY HAS AN EU EXPORT SUCCESS STORY, PLEASE SHARE IT WITH US!

FOR MORE INFORMATION,  
PLEASE CONTACT  
AMCHAM@AMCHAM.GE.

HANS GUTBROD

Agriculture is often seen as one of the main potential drivers of economic development in Georgia. The country has an excellent and diverse climate, plenty of water, and significant amounts of land that currently aren't being farmed. Yet, besides wine and hazelnuts, relatively few products are exported successfully.

What, then, could be a path to success for more products to reach European markets? The experience of our company, Nergeta, may be useful in this context. Nergeta ([www.nergeta.ge](http://www.nergeta.ge)) was the first company to export kiwifruit from Georgia to a mainstream European supermarket. At this supermarket, Lidl, our kiwifruit were offered as branded and labeled Georgian products. Lidl, Europe's most dynamic supermarket

chain, is interested in receiving more kiwifruit from Georgia in the future, showing that Georgia can make it in the European market.

Our lessons can be summarized in eight key points. First, you should be curious. Our team, two Georgians and I, spent much time exploring various aspects of Georgian agriculture, including kiwifruit, which had been introduced in the 1980s in the Soviet Union, but weren't being farmed systematically. We knew that this local kiwifruit had a great taste, and the lack of systematic attention in Georgia made us even more curious.

Second, you have to be rigorous about checking market requirements, beyond your first curiosity. We looked at export statistics; figured out that kiwifruit remains a premium product; understood that we wouldn't ever compete with New Zealand, as kiwifruit only store well ►►

► for about four months, so that northern hemisphere kiwifruit come on the market just when southern hemisphere's are all sold; spent hours checking the climate suitability via the archive at [www.me-teoblue.com](http://www.me-teoblue.com); and sent local fruit to be tested in foreign labs.

Third, this analysis showed that we would have a real competitive advantage. The climate of lower Samegrelo was particularly suited to kiwifruit. On some key indicators, local kiwifruit did as well (and even better) than northern hemisphere competitors from Italy and Greece.

Fourth, we were systematic about recruiting knowledge and funds. There is little knowledge on modern agriculture and post-harvest techniques inside Georgia, so we sought and found expertise in those countries where kiwifruit sector has an extensive track record of research and development. We became very good at finding relevant knowledge, either directly on the internet, or by talking to the relevant experts. Regarding funds, due to our team's experience in agribusiness and trust, we received funding from our own network, including foreign capital.

Fifth, we tested. We tested the soil. We tested our own ability to market by first buying local fruit, storing and then selling them. We tested the planting by first planting one plot, then the next, learning critical lessons on the way. We tested export, and now that we have exported we know that we are on the right track for planting more.

Sixth, we brought focus and patience. Starting agriculture in Georgia is tough, so you need a long-term perspective to sustain the first years. We started our venture six years ago, and the experience highlighted the importance of having a good team, in which there is openness for continued learning and openly acknowledging when things went wrong.

The management on the ground, led by a co-founder, an exceptionally committed Operations Director, made a critical difference. His commitment to getting details right allowed us to gain the Global GAP certification that you need to export to European mainstream supermarkets.

Seventh, you have to bring the product to the customer. We made much effort to network, at key points, and to demonstrate that we would always put quality first. This lesson, too, is critical for building long-term relationships.

Lastly, we were driven by the conviction that – with and because of its risks – doing something entrepreneurial is one of the most worthwhile uses of one's life. It's a substantive way of bringing and sustaining improvements. That is a lesson that we hope many young Georgians also will take in before they leave school. Together with persistence, a dedication to building better ventures is an approach that can transform Georgian agriculture and Georgia itself.

This is only the beginning; there are

huge opportunities for Georgia. North of Georgia it's too cold for many products, in the East too dry, in the South too hot, and in the West growing products often is very expensive. Detailed analysis, and analysis of the climate, is critical. In the beginning, it makes sense to focus on products that are robust, with stable pricing, and that don't need to get to the market within a week or two. Once local teams have developed more skills and export relationships are established, Georgia is also suitable for more complex products.

A number of recommendations flow from this. An increased frequency and quality of networking events, conferences and field trips would help. Another is to bring modern knowledge to more farmers, and to use modern technology for that purpose. For investors, there are tremendous opportunities if they get their analysis right, and our experience may be a good guide to success.

**Contact Hans Gutbrod at [hfgutbrod@gmail.com](mailto:hfgutbrod@gmail.com)**



# FIVE MONTHS ON: ARMENIA IN THE EURASIAN UNION

ARMENIA JOINED THE EURASIAN CUSTOMS UNION IN JANUARY, BUT TODAY QUESTIONS REMAIN OVER HOW MUCH THE DEAL WILL BENEFIT ARMENIA – AND IF YEREVAN STILL HAS A CHANCE TO BUILD STRONG RELATIONS WITH THE EU.



RICHARD GIRAGOSIAN

Nearly five months have passed since Armenia joined the Eurasian Economic Union, a Russian-dominated project that seeks deeper economic reintegration between its core members of Belarus, Kazakhstan and Russia but which has also incorporated Armenia and is now focused on bringing in Kyrgyzstan as a member.

For Armenia, membership in the Eurasian Union was neither a natural nor a prudent decision. The September 2013 decision was largely a result of Russian pressure, and the Armenian president was compelled to sacrifice the country's Association Agreement and its related Deep and Comprehensive Free Trade Agreement (DCFTA) with the European Union (EU). The sudden nature of the Armenian president's abrupt decision, in which the Armenian government itself was unprepared and largely unaware, was seen as both a "policy U-turn" and

a "strategic setback" for Armenia. The Russian-dominated Eurasian Economic Union is also a contradiction in logic for Armenia, as seen in structural impediments ranging from a lack of any direct land connection or a functioning railway to the requirement of increasing Armenian tariff rates and artificially redirecting Armenia's natural trade orientation away from Western markets.

**For Armenia, membership in the Eurasian Union was neither a natural nor a prudent decision.**

For the more liberalized and open Armenian economy, the necessary adoption of higher Eurasian Union tariffs and closer alignment to more protectionist policies may also trigger a likely rise in prices, and will also mandate renegotiations over Armenia's membership in the World Trade Organization (WTO). A related step involves a reorientation ►►



► of the country's direction of trade, in which several years of European-oriented trade will have to be readjusted and replaced by new preferential treatment favoring the markets of Russia, Belarus and Kazakhstan. And perhaps most revealing, the paucity of economic benefits for Armenia is demonstrated in the allocation of customs duties and tariff revenues among the member states. For Armenia, as well as for Belarus and even Kazakhstan, the asymmetry is obvious, with these countries having been granted a meager and minimal share of the Eurasian Union's total customs revenue.

But in a broader context, Russia's pressure on Armenia to join the Eurasian Union was a strategic move by Moscow with little relevance and even less regard for Yerevan. Rather, the Russian decision to coerce Armenia marked a significant reversal for Russian policy, which in the case of Armenia, had never opposed Armenia's nearly four years of negotiations with the EU over the planned Association Agreement. Moreover, the real "U-turn" in policy occurred in Moscow before it did in Yerevan, and represented a newly assertive Russian move to counter deepening European engagement in the so-called "near abroad," or former Soviet space, which Moscow is now intent on defending as its own "sphere of influence."

But there an element of optimism for Armenia, as the recent Riga Summit, focusing on the EU's Eastern Partnership, affirmed an important "second chance" for Armenia, and paved the way for the start of a new effort to salvage a legal framework of relations between Armenia and the European Union. This second chance offers the Armenian government a chance to overcome and correct

its earlier image as an insincere partner, and through a more nuanced, country-specific policy of "differentiation," allows the EU to engage each of the Eastern Partnership states on the basis of each country's unique set of limitations and objectives.

Looking ahead at the course of such a rebuilding of Armenia-EU relations, however, there is a concern over a possible renewal of Russian pressure. And in light of a resurgence of Russian power, matched by a pattern of aggression and outright war in Ukraine, the danger for

## But there an element of optimism for Armenia, as the recent Riga Summit, focusing on the EU's Eastern Partnership, affirmed an important "second chance" for Armenia

Armenia stems from a return of Russian coercion aimed at impeding Armenia's future ties with the EU. Yet on an economic basis, the Eurasian Economic Union has become a very different and significantly less attractive effort than initially planned, for three main reasons. First, the "loss" of Ukraine as a key component of the Eurasian Union seriously undermines the economic viability and trade potential of this Russian project of regional (re)integration. A second factor underlying the diminished appeal of the Eurasian Union stems from the deeply

negative impact of Western sanctions on the Russian economy, whereby a steep decline in the value of the Russian ruble and a steady fall in global oil prices has greatly diminished Russia's position as the economic driver of the Eurasian Union. And third, the foundation of the Eurasian Union itself is seriously limited by the reliance on pressure and coercion on members and partners, in stark contrast to the appeal and seductiveness of the EU model. These factors have also culminated in the recent trend of opposition and hesitation from both Belarus and Kazakhstan, whose leaders are much more willing to confront and challenge Russian dominance over the Eurasian Union.

Thus, the new offer of European engagement offers Armenia an essential way to escape the inherent impediments from being both dangerously overdependent on Russia and precariously trapped within the Russian orbit. In terms of both economic reform and trade access, the natural allure of the European model and EU markets far outweighs Armenia's "comfort zone" of a limited and asymmetric reliance on the old Russian rule set of subsidized trade and submissive dependency. And due to the debilitating combination of rising costs and meager benefits offered to Armenia from the Eurasian Union, Armenia's only real hope is to leverage a new opening with the EU to counter the negative effects from the imposition of a Russian-centric artificial correction to Armenia's natural trade pattern while containing the impact of the economic contagion resulting from the downturn in the Russian economy.

*Richard Giragosian is the director of the Regional Studies Center (RSC), an independent think tank in Yerevan, Armenia.*



*Delivering Progress*

## THE EFFECTS OF INVESTMENTS IN CLEAN ENERGY IN GEORGIA

PMCG AND KAS, IN THE FRAMEWORK OF THE PROJECT POLICY RESEARCH FOR SUSTAINABLE ECONOMIC DEVELOPMENT, USED EXTENSIVE COMPUTER MODELING TO ESTIMATE THE POTENTIAL BENEFITS FROM CLEAN ENERGY INVESTMENTS AND TO ASSESS THE IMPACT OF CLEAN ENERGY INVESTMENT ON THE ENVIRONMENT (EMISSIONS REDUCTION FOR THE COUNTRY) ENERGY (ENERGY SECURITY, ENERGY INDEPENDENCE) AND SOCIETY (JOB CREATION).

IVANE PIRVELI, RESEARCHER AT PMCG

### THE ECONOMIC IMPACT OF CLEAN ENERGY

**T**he Georgian government has acknowledged the importance of clean energy investments and has been actively promoting hydropower investments since 2006.

Clean energy projects, however, require massive investments -- an estimated \$5 billion for Georgia alone. But the benefits of clean energy investments are wide-reaching and the positive monetary effects of FDIs in the energy sector and increased exports, contribution to economic growth, fiscal effects and sustainable development should also be taken into

consideration when calculating the total cost of investing in the sector.

If implemented, clean energy investments in Georgia would create an estimated 10,299 - 12,448 new jobs, according to PMCG's study. In addition, clean energy projects have been forecast to reduce harmful greenhouse gas emissions, including the reduction of CO<sub>2</sub>, which is currently being emitted in the amount of 886 thousand metric tons.

It will also improve the country's energy security by reducing the country's dependency on energy imports by 16%, compared to the reference energy system development scenario, or the forecasted energy system development path under current energy policy. Such achievements, if reached, are significant for a country like Georgia.

### CLEAN ENERGY CAN CUT IMPORTS

In 2007, Georgia became a net exporter of electricity. But due to increased demand, five years later, in 2012, the country reverted back to being net electricity importer.

The Georgian economy is heavily dependent on imports, even in the energy sector. At the same time, Georgia has underutilized clean, environmentally friendly, renewable sources of energy: only 18% of economically feasible hydropower energy (40 bln kWh annually) has been utilized so far. Georgia also has considerable potential for exploitation of untapped wind and solar energy.

The increased electricity generation from domestic renewable energy resources and the partial switch from imported fossil fuel to electricity means Georgia's energy import dependence is expected to decrease from 77% in business (if regular energy sources are used) or 65% (if clean energy sources are used) by 2030. Keeping the market attractive for investors is vital to take full advantage of Georgia's potential. Georgia is competitive in the regional energy sector, particularly in hydropower, so the country's main strategy should be to avoid underpricing electricity, a common problem in former Soviet countries.

### HOW TO RAMP UP UTILIZATION OF CLEAN ENERGY RESOURCES

In order to foster the development of clean energy resources, a number of issues should be taken into consideration. One

of the most important is the difference between political timing and energy timing.

The former is short-term, focusing on the elections, while energy projects are longer-term and usually go beyond one election period. That means that less political involvement in the energy sector would promote long-term projects. In this regard, increasing independence and the role of the Georgian National Energy and Water Supply Regulatory Commission would enhance development of the energy sector in the sustainable manner.

In addition to this critical step, the following actions should be taken to support the development of clean energy in Georgia:

- Develop and implement an electricity trading mechanism for the regional markets, with a specific focus on the Turkish electricity market, to support green electricity trading on a regional level;
- The government needs to analyze the opportunities for the long-term cost-effective use of renewable energy sources in the process of diversifying the energy supply to meet national policy objectives;
- Develop and implement a fuel-switching policy, especially in residential and transportation sectors;
- Modernize the current vocational education system to fill the gap between the current skills in the Georgian job market and clean energy industry job requirements. High-quality vocational education should be provided with a particular focus on the skills needed for power plant construction. In addition, it is important to send the right signals to SMEs to specialize in providing supplementary services;
- Enforce requirements to assess environmental effects for every considered power plant before securing of investments;
- Coordinated action within the government will improve the promotion and utilization of clean energy sources. The government should also increase its participation in public-private partnerships, which will encourage and maintain clean energy investments.

*Ivane Pirveli, Researcher at PMCG, wrote the research paper "Clean Energy Investment in Georgia," as part of the Konrad Adenauer Foundation project "Policy Research for Sustainable Economic Development."*






# **BREAKING THE MOLD:**

## **Creating a New Kind of Library for Georgia**

SURROUNDED BY APARTMENT BLOCKS, THE LATE-1960S BUILDING WAS ONCE THE CENTRAL HUB OF INFORMATION FOR GEORGIAN RESEARCH INSTITUTIONS OF THE SOVIET UNION. A BOOST IN FUNDING HAS NOW GIVEN THE NATIONAL SCIENTIFIC LIBRARY OF GEORGIA THE CHANCE IT NEEDS TO REINVENT ITSELF AS A MODERN PUBLIC LIBRARY.



# How to push the library into modern times is a question Garibashvili has been asking himself since he started working at the library in 1993 as its only IT specialist.

challenges to libraries all around the world, especially academic libraries,” the library’s director, Irakli Garibashvili, said. “And all academic libraries are discussing: what is the mission of an academic library in modern days?”

How to push the library into modern times is a question Garibashvili has been asking himself since he started working at the library in 1993 as its only IT specialist. The library had just two personal computers at the time. A few years later, in 1997, Garibashvili introduced internet at the library — one of the first places with free internet access in Georgia.

After a few years away, Garibashvili returned to the library as its director. Though the number of people using the library’s services is growing, it’s not as active as he’d like.

“We have subscribed to so many databases and the usership is quite low. We put everything online openly, freely and so on, and again I think the usership is not enough,” he said.

“That forces us to be very active and look around and see what’s happening around us — not necessarily inside the library, not necessarily with the people who are already coming to the library, but in society. Because unfortunately the majority of society is not coming to this library, is never using this service, and many people have never even heard of this library.”

“Maybe our potential users need something different.”

Meanwhile, the UNDP in Georgia had been embarking on a shift of its own. About a year ago, the UNDP began to seek out and contribute to public service

innovation in Georgia, which led it to support the creation of an Innovative Service Lab at the Public Service Development Agency. Sesili Verd zadze, the head of the agency’s Innovations Management and Research Division, said the lab, which opened its doors last November, acts as a consultancy to organizations looking for new ideas.

“What we do as a lab is that we are here as an extra hand for different organizations and different government or private organizations who need our help. We have some skills in the development of new services, new concepts,” Verd zadze said.

The UNDP and Innovative Service Lab were connected with the National Scientific Library through Rémi Boissonnas, the founder of the Tbilisi-based co-working space CospoT, who recognized the organizations’ common interest in creating innovative spaces and services.

It was a perfect match.

Together the UNDP, Innovative Service Lab and the National Scientific Library held a redesign workshop that took up the question of the future of the library and put it directly to its potential users. About 30 students, professors, scientists and architects joined the two-day design brainstorming workshop in late March. The ideas that came out of the workshop were just as diverse as the people in it. Public lectures, maker spaces, co-working spaces, children’s play areas and movie nights were just a few of the suggested services for the redesigned public library.

“I like how [the process] works,” Garibashvili said. “Very different people

HEATHER YUNDT

The library, founded in 1941 just days before the Soviet Union joined the Second World War, was the first building in Georgia built with the specific purpose of being a library. It rose to prominence as a valuable resource for scholars and scientists, hosting the largest foreign collection in Georgia. But the model the library was based on is no longer working.

“All these processes of globalization, digitization and so on give some





► meet, discuss, and the results are really very good. It's somehow surprising maybe, because when people have different backgrounds sometimes they have problems with communication. But in this case, they're all motivated to build something together."

"It was a first attempt to look at the library in a different way," said Khaturina Sandroshvili, a Social Innovations Specialist and Programme Associate at the UNDP in Georgia. "We realized that what people expect the library to be is not just a repository of information and knowledge but also a social space, a space where people can not only gain knowledge but also share and generate new knowledge."

The library's redesign has been given an added boost through a 140% increase in its budget this year, as well as addi-

tional funds for renovations.

The first step: renovating the physical space. A tour through the building takes me past stacks of old books playfully arranged in corners in the shape of forts and trees, through a dome-ceilinged room with a mosaic covering one wall, and into the dimly-lit labyrinth of the book storage. The building is grand, but well past its prime. "Now everything is problematic: ventilation, heating, electric supply," Garibashvili said. The vision for the library, however, extends beyond the physical space. "What we want to do is develop [a sense of] ownership for this library," Verdzadze said.

"Right now the library is a very traditional library where you go, you check something out or you read something, and we want it to be more dynamic than that," Tabatadze added. "Another thing

we're looking to develop is a space between home and the office. That's kind of what's lacking in Georgia: something that's less formal than an office but also less isolating than home."

"We really lack this in Georgia: the comfort in libraries, accessibility to the books. In Georgia, you have to go to the librarian and then tell them I need exactly this book, and they will go and get it for you," Verdzadze said. "In other countries you can browse. When you are close to the books, your attitude towards the books changes."

The library's transformation could take years, but Garibashvili's goal is clear.

"[In the past, the library] was for scholars mostly, not for the general public. Now we are changing this. We are trying to be a public library."

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#### Energy Sector

The long-term cooperation agreement has been signed between the governments of Georgia and Turkey. For the first time in the Caucasus region, by the end of 2016, countries will jointly prepare the long-term plan for development of the connecting transmission network.

Throughout the cooperation, Turkey will share its experience in European Network of Transmission System Operators for Electricity (ENTSO-E) with Georgia. This will provide a strong platform for Georgia to join the European transmission network in the nearest future and facilitate cooperation with the neighboring countries.

Furthermore, on April 8, 2015 "Ten-Year Plan of Georgia's Transmission Network" was approved by the Minister of Energy of Georgia, covering periods throughout 2015-2025.

The main purpose of the plan is to keep up with the recent and future developments in energy sector in order to ensure uninterrupted transmission of electricity to neighboring countries.

#### Arbitration

Substantial amendment was introduced to the Law of Georgia on Arbitration on March 18, 2015.

Prior to the amendment, the courts were required to dismiss the claims in the events when the arbitration agreements were signed by the parties. From now on, court shall only dismiss the claims at the motions of the defendants. Hence, amendment enables parties to agree on court's jurisdiction despite their previous agreement to solve disputes through arbitration.

#### Law on Labor Migration

For the purposes of EU's Eastern Partnership's multilateral format Georgia is implementing the Eastern Partnership bilateral and multilateral roadmaps which, among other issues, provide for reforms in migration-related sectors. New labor migration law was adopted by the Parliament of Georgia on April 1, 2015, taking effect as of November 1, 2015. New labor migration legislation mainly aims at restricting illegal labour migration as well as risks of trafficking. Alongside with the newly adopted law, changes have been made in Georgian Law on Entrepreneurs according to which an entrepreneur is obliged to inform National Agency of Public Registry if its business is related to the performance of the labor activities abroad.

#### Labor Safety

On February 5, 2015 Government of Georgia has approved State Program for Monitoring Labor Conditions. The program is designed to help employers create safe and healthy working environment and prevent labor safety violations. Target group of this program are employers who are willing to join the program on the voluntary basis.

#### Legal Status of Aliens

According to the recent amendments to the Law of Georgia on the Legal Status of Aliens and Stateless Persons, Government of Georgia will approve the list of countries, whose citizens may enter Georgia without visa and stay in the country for a full 1 year period. Previously, foreign citizens not requiring visa, were only authorized to stay in Georgia for no more than 90 calendar days in any 180-day period.

For more information and advise please contact us:

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Innova Cafe in Vake

Photo by Innova Cafe

# Innovation, Wonder and Awe: Creating Spaces for Children to Explore



THERE ARE ROUGHLY 70 MUSEUMS IN TBILISI, SPANNING FROM HISTORY AND ART TO MONEY AND GEORGIAN MEDICINE. THERE ARE MANY GREAT EXHIBITS. BUT THE CITY IS NOTICEABLY LACKING MUSEUMS THAT ARE CHILDREN-FRIENDLY, HANDS-ON AND INTERACTIVE – THE THREE KEYS TO ENGAGING YOUNG MINDS.

I have a science kind of kid. She likes dinosaurs, plants, wild cats, volcanoes and sharks. She is fascinated by the idea of bacteria and can spend hours discussing animals' proclivity to mimic.

When we travel to the states, we go to children's museums and science museums – and she walks around like a curator, pointing out facts she knows, pondering the ones she doesn't. I trail behind her, wondering why it is we don't have anything like this at home, in Tbilisi. The problem is not a lack of museums – there are, depending on the guide book, about 70 in the capital alone. Many are full of priceless and fascinating things. Entrance to all is free or just a few lari. But they are not geared toward children. They lack hands-on experiments, exhibits you can touch, programs that engage.

And the spaces themselves are not child-friendly. You are supposed to be silent, not jump, shout, and explore. While children do not require much – popular exhibits can be nothing more complicated than exercises in building dams with plastic discs in tubes of running water – the freedom to touch, feel

and question is an essential part of successful places for encouraging young minds, according to the Exploratorium's Executive Director, Dr. Dennis Bartels.

The Exploratorium is one of America's most renowned science centers, created by a pioneer in the field, American physicist Frank Oppenheimer.

"I think what makes great science centers is enough attractive, interesting, surprising experiences that create this curiosity, create this desire to know what is going on," he said in a telephone interview from San Francisco.

"So much of what we know about the natural world is from the written word... We were born with a gene wanting to know how things work."

#### A NEW KIND OF MUSEUM

Museums that allow children to do all those things have been popular in the United States since the beginning of the 20th century, starting with the Brooklyn's Children's Museum, which opened in 1899. In a 2010 research paper outlining why Turkey needs a children's museum, Ceren Karadeniz, a graduate student in museum education at Ankara University, noted that some of the world's best known educators, including Maria Montessori and John Dewey, influenced a new generation of child-friendly museums from 1899 to 1925. Oppenheimer took the idea of museums to a whole new level when he opened the Exploratorium in 1969.

Dr. Bartels noted that when Oppenheimer and his brother first began working on the Exploratorium, they didn't want to call it a museum – they wanted something far removed from the idea of "precious items behind glass".

At first, he said, it was difficult to convince people. But Oppenheimer would drive around the state, with science experiments in his truck, and when he

met someone with a doubt, he would demonstrate the power of hands-on science right there, on the side of the road.

"It really caught on quite quickly, not just locally but around the world," Dr. Bartels said.

He noted that Oppenheimer's Exploratorium – and any great science museum – taps into a very democratic idea: "You don't need people to tell you want to think... You can use your own curiosity to pose questions."

Science, he said "is mostly seen as a book subject or a school subject... we were making it overly complicated."

Natia Mzhavanadze, an education specialist who is currently a Doctoral student at University of Massachusetts Amherst, said museums can be a perfect fit for "educating kids and instilling and encouraging curiosity."

She noted that this is "especially significant for Georgian context – where science education is problematic."

"So showing that science is all around us and it is not restricted to long-bearded professors and boring formulas will encourage kids to understand the world better, be environment-conscious and learn better."

#### NATURAL BORN SCIENTISTS

Tamuna Gabisonia, an education specialist and the founder of the children's development site, the Little Giraffe, agreed that children are natural scientists when given the opportunity to explore.

She and Mzhavanadze are working on developing concepts for a child-friendly space where kids will be able to explore science in Georgia.

"Children have natural curiosity and love making observations and discoveries," Gabisonia said.

"Children love learning when they have hands on experience. They need to see that learning can be fun... Hands-on ►►



Photo by Innova Cafe

- experiences show children that science is not something unreachable and very obscure; through hands-on fun science experiences, children are able to see that science is actually part of our daily life and start understanding its importance.”

In today’s world, with computers and technology changing faster than parents can order the upgrade, hands-on, approachable science is even more important for children, noted the Exploratorium’s Bartels. “I think it has become even more important to have places like the Exploratorium because there is even more distance [between people and science],” he said.

He added that it is important to have a place where people can “ask questions and try to understand how things work; “[places where people can] get the confidence again to ask people questions about these very important science and technology questions, to ask the right questions to find out for themselves how they feel about these important issues.”

Daniel Blaho, the director at QSI International School in Tbilisi, said hands-on activities help children learn

better. “There is an abundant amount of research out there that shows when students are actively engaged in learning...it taps into a different part of their minds... They are experiencing the learning and when children experience something, that knowledge is theirs. They own it,” he said.

## A MENTAL CHANGE

Bartels noted that in India and China there is a huge push to build science museums, and governments are stepping in to finance them. In Georgia, however, that is not currently the case. The Georgian National Museum is “keen” to have a science museum, according to the education department. But there are no concrete dates or plans yet.



Denver Science Museum

Mzhavanadze noted more awareness is necessary in the Georgian public.

“Generally I think we have to become more child-friendly. We are not. It isn’t anyone’s fault. We don’t have a lot of options. I learned about options when I had my kids in the U.S.,” she said.

Gabisonia agreed, noting that while the country currently lacks children-friendly entertainment, there is growing demand from parents.

“Women, young mothers want to know. They are open to information if there is anything available,” she said.

“We need a mentality shift in this country. There is a type of cultural crisis because today amusement or having a good time is just eating khinkali, unfortunately, and we need to change this for the generation of our children.”

Currently the two women are writing a concept paper for their plans, which revolve around creating a safe, child-friendly space for kids to engage in hands-on learning.

In the meantime, the closest thing Tbilisi has to a science/children’s museum might actually be a cafe: Innova, a cafe in Vake Park.

From water served in beakers to hand-drawn formulas on the walls, Innova is wall-to-wall science. Lali Papashvili, the creative director at 2L Gastronom, the company that created the concept for the café, the idea was to bring science – and the feeling of being in space – alive for clients.

The children, she said, love it.



# CAMPAIGN POSITIVE



**SPECIAL  
CAMPAIGN**

**13%**  
**USD**

**Get the most attractive and flexible terms  
available in Georgia**

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**INTEREST RATE**

10% in **EUR**

15% in **GEL**

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**AMOUNT**

Minimum 500 Unit

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**MATURITY**

Minimum One Month

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**INTEREST PAYMENT**

Monthly, Quarterly,  
Semi Annual, Annual

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A woman in traditional Georgian royal costume, featuring a crown adorned with pearls and colorful gemstones. She wears a white headscarf and a blue long-sleeved garment. Her arms are raised, and she is wearing multiple ornate bracelets. The background is black.

# A Cultural Calendar of Events, Performances, Exhibitions and Festivals in Georgia

SABA GVETADZE



# SUMMER FUN



## Music:

### DPM SUMMER BEATS – ELECTRONIC MUSIC FESTIVAL

**When:** June 5 – 6

**Where:** Gino Paradise

<https://biletebi.ge/default.aspx?id=22&EventID=272154>

<http://ginoparadise.ge/eng/>

### X FACTOR GEORGIA

**When:** June 8, 15, 22, 29 at 10:00 p.m.

**Where:** Tbilisi Concert Hall

<http://tbilisiconcerthall.com/>

### NATO METONIDZE CONCERT

**When:** June 19, 8:00 p.m.

**Where:** Tbilisi Concert Hall

<http://tbilisiconcerthall.com/>

### SUKHISHVILEBI CONCERT AND CELEBRATION OF BALLET

(Special guest performers include ballerinas from Russia and Georgia)

**When:** June 27, 2015

**Where:** Tbilisi Concert Hall

Additional info: Orchestra level – invitation only;  
[www.biletebi.ge](http://www.biletebi.ge)

### "THE AUTUMN OF MY SPRINGTIME" / "RAMONA" / "STALINGRAD" – PUPPET PERFORMANCES

**When:** June (and possibly in July)

**Where:** Gabriadze Theater

<http://gabriadze.com/en/programm>

### TBILISI OPEN AIR

**When:** 3-7 July

**Where:** Tbilisi Sea New City

<http://www.tbilisiopenair.ge/en>

<https://www.facebook.com/tbilisiseanewcity>

### BLACK SEA JAZZ FESTIVAL

**When:** 23-26 July

**Where:** Batumi Tennis Club / Take Five Club

<http://tbilisijazz.com/black-sea-jazz-festival-calendar/>

### CITY TIME LIVE PERFORMANCE

**When:** All summer, Tue-Sun., from 8:30 p.m.

**Where:** City Time

<http://info-tbilisi.com/citytime/>

### LIVE JAZZ PERFORMANCES

**When:** All summer, Mon.-Sun. starting at 9:00 p.m.

**Where:** Café Kala

<https://www.facebook.com/pages/Kala/311507072196253?fref=ts>



Black Sea Jazz Festival



Nato Metonidze



X-Factor





X-Factor



"MALSTROM" BY FRANZ MARC

## Live Electronic Music

**When:** All summer

**Where:** Vitamin Cubes, Tbilisi / Batumi

<https://www.facebook.com/vitamincubes>

<http://eventful.com/venues/vitamin-cubes-/V0-001-007649521-1>

## Live Music

**When:** All summer

**Where:** Café Gallery

<http://eventful.com/venues/caffe-gallery-/V0-001-007344848-9>

<http://www.info-tbilisi.com/cafe-gallery/>

## Exhibitions:

### VITALI KAPANADZE'S 70TH YEAR ANNIVERSARY EXHIBITION

**When:** May 17 – June 7

**Where:** Shalva Amiranashvili Art Museum

[http://museum.ge/index.php?lang\\_id=ENG&sec\\_id=45](http://museum.ge/index.php?lang_id=ENG&sec_id=45)

### EXHIBITION HALL AT JAVAKHETI PROTECTED AREAS VISITOR CENTER

**When:** Until June 15

**Where:** Javakheti Protected Areas Visitor Center

[http://museum.ge/index.php?lang\\_id=ENG&sec\\_id=69&info\\_id=13217](http://museum.ge/index.php?lang_id=ENG&sec_id=69&info_id=13217)

### EXHIBITION "MALSTROM" BY FRANZ MARC

**When:** June 3 – 17

**Where:** The National Gallery (11 Rustaveli Ave.)

[http://www.goethe.de/ins/ge/de/tif/ver.cfm?fuseaction=events.detail&event\\_id=20536001](http://www.goethe.de/ins/ge/de/tif/ver.cfm?fuseaction=events.detail&event_id=20536001)

### "FILM SPACE" AT THE GEORGIAN NATIONAL MUSEUM

**When:** Until June 30

**Where:** Georgian National Museum Auditorium

[http://museum.ge/index.php?lang\\_id=ENG&sec\\_id=99&info\\_id=13312](http://museum.ge/index.php?lang_id=ENG&sec_id=99&info_id=13312)

### ADVERTISING AND MEDIA EXHIBITION

**When:** July 2 – 4

**Where:** Expo Georgia

<http://www.expogeorgia.ge/>

**EXHIBITION "SERGOPARAJANOVI - 21ST CENTURY DREAM"****When:** May 18 - July 16**Where:** Tbilisi Museum of History (Karvasla)[http://museum.ge/index.php?lang\\_id=ENG&sec\\_id=47](http://museum.ge/index.php?lang_id=ENG&sec_id=47)<http://www.info-tbilisi.com/events/exhibition/?eventdate=2015-05-18><http://www.info-tbilisi.com/events/exhibition/?eventdate=2015-07-16>**LADO GUDIASHVILI EXHIBITION****When:** Until July 31**Where:** Lado Gudiashvili Exhibition Hall<http://ladogudiashvili.ge/page?id=2&lang=en>**GEORGIAN ARCHEOLOGY FROM 8TH MILLENNIUM B.C. TILL 4TH CENTURY A.D.****When:** Currently, all week, except Mondays**Where:** Museum of Georgia[http://museum.ge/index.php?lang\\_id=ENG&sec\\_id=69&info\\_id=12731](http://museum.ge/index.php?lang_id=ENG&sec_id=69&info_id=12731)**EXHIBITION: "NEW LIFE TO THE ORIENTAL COLLECTIONS" / GEORGIAN WEAPONRY****When:** Currently, all week, except Mondays**Where:** Museum of Georgia[http://museum.ge/index.php?lang\\_id=ENG&sec\\_id=69&info\\_id=11807](http://museum.ge/index.php?lang_id=ENG&sec_id=69&info_id=11807)**PIROSMANI 150****When:** Currently**Where:** The National Gallery[http://museum.ge/index.php?lang\\_id=ENG&sec\\_id=69&info\\_id=12528](http://museum.ge/index.php?lang_id=ENG&sec_id=69&info_id=12528)[http://museum.ge/index.php?lang\\_id=ENG&sec\\_id=54](http://museum.ge/index.php?lang_id=ENG&sec_id=54)**EXHIBITION: SOVIET OCCUPATION****When:** Currently**Where:** Museum of Soviet Occupation[http://museum.ge/index.php?lang\\_id=ENG&sec\\_id=69&info\\_id=11868](http://museum.ge/index.php?lang_id=ENG&sec_id=69&info_id=11868)[http://museum.ge/index.php?lang\\_id=ENG&sec\\_id=53](http://museum.ge/index.php?lang_id=ENG&sec_id=53)**NIKO PIROSMANI EXHIBITION / MEDIEVAL ARCHEOLOGY / ETHNOGRAPHY****When:** Currently**Where:** Signnaghi Museum[http://museum.ge/index.php?lang\\_id=ENG&sec\\_id=69&info\\_id=11863](http://museum.ge/index.php?lang_id=ENG&sec_id=69&info_id=11863)

Lado Gudiashvili



Niko Pirosmani





Art-Villa Garikula



South Caucasus Contemporary Dance Festival



South Caucasus Contemporary Dance Festival

## EXHIBITION OF THE TREASURY OF THE MUSEUM OF FINE ARTS

**When:** Currently

**Where:** Museum of Fine Arts

[http://museum.ge/index.php?lang\\_id=ENG&sec\\_id=69&info\\_id=11862](http://museum.ge/index.php?lang_id=ENG&sec_id=69&info_id=11862)

## Festivals:

### INTERNATIONAL STUDENT FILM FESTIVAL "AMIRANI"

**When:** June 2 – 6

**Where:** Shota Rustaveli Theatre and Film Georgian State University

[http://www.tbilistudentfilmfestival.ge/web/amirani/registration\\_form.html](http://www.tbilistudentfilmfestival.ge/web/amirani/registration_form.html)

### SOUTH CAUCASUS CONTEMPORARY DANCE FESTIVAL IN TBILISI 2015

**When:** June 4 – 7

**Where:** Rustaveli Theater / Kakha Bakuradze Movement Theater / Europe House

<http://www.dancearttbilisi.ge/node/13>

### WINEXPO GEORGIA 15 - THE ONLY INTERNATIONAL WINE AND SPIRITS FAIR IN GEORGIA

**When:** June 5 – 7

**Where:** Expo Georgia

<http://www.expogeorgia.ge/exhibitions/winexpo2015/>

### INTERNATIONAL FESTIVAL OF CONTEMPORARY ART "FEST INOVA 2015"

**When:** June 10

**Where:** Art-Villa Garikula

<https://www.facebook.com/events/1585346871750606/>

### NATIONAL INDIAN TRADE SHOW

**When:** June 12 – 22

**Where:** Expo Georgia

<http://www.expogeorgia.ge/>

### EUROPEAN YOUTH OLYMPICS FESTIVAL

**When:** July 27 – August 1

**Where:** Various locations

<http://tbilisi2015.com/en/>



# Everything You Need to Know about the Youth Olympic Games

INVESTOR.GE'S MAIA EDILASHVILI DETAILS EVERYTHING YOU NEED TO KNOW ABOUT EVENTS, VENUES, AND TICKETS TO MAKE THE MOST OF THE EUROPEAN YOUTH OLYMPIC FESTIVAL IN TBILISI FROM JULY 26-AUGUST 1.



**Tennis:** Mziuri Tennis Courts  
**Seating capacity:** 700 (9 outdoor and 2 indoor courts)  
**Address:** Mziuri Park, 76 Chavchavadze Avenue



**Swimming:** New Swimming Pool  
**Seating capacity:** 3,000 (10-lane, 50-metre pool)  
**Address:** Dighomi, New Tbilisi District



**Gymnastics:** Gymnastics Palace  
**Seating capacity:** 1,290 (two large halls)  
**Address:** Dighomi, New Tbilisi District



**Handball:** New Handball Stadium  
**Seating capacity:** 3,300 seats  
**Address:** 6 University Street



**Volleyball:** New Volleyball Stadium  
**Seating capacity:** 1,800  
**Address:** Cholokashvili Street



**Judo:** Judo Academy  
**Seating capacity:** 800  
**Address:** 5 Beliashvili Street



**O**n July 26, the European Youth Olympic Festival (EYOF) kicks off in Tbilisi, the start of a week of competitions between young athletes from 50 countries, who will swim, jump, run, swing and spar their way to victory. Georgia is the first post-Soviet country to host this event.

The festivities began on May 26 when the Olympic flame, which was set in the Panathenaic Stadium in Greece, arrived in Georgia.

Torch relay ceremonies are scheduled

around the country, and include 700 torch bearers in 67 Georgian cities.

## JULY 26: THE OPENING CEREMONIES

The opening ceremony will take place on July 26 at the Lokomotiv Stadium. The closing ceremony will be held on August 1 at the newly constructed Athletes' Village near the Tbilisi Sea. The tickets for the opening ceremony will be sold at the stadium's box offices.

The Georgian Chamber of Culture,

headed by its president, Davit Okitashvili, is organizing both the opening and closing ceremonies. The Chamber has invited David Zolkwer, world-known British producer and director of public events and ceremonies, to help stage the ceremonies.

Zolkwer was project and creative director for the Hong Kong Handover and Farewell Ceremonies in 1997, as well as for the ceremonies of the Manchester 2002 Commonwealth Games – where he personally directed the Opening Ceremony. In 2004, he was project director and one of the lead creative directors for the ceremonies of the Athens 2004 Olympic Games.

In Georgia, Zolkwer is working with local consultants: theater and arts director Davit Doiashvili, film director BasaPotskhishvili and painter Tamar Potskhishvili.

## GEORGIA'S TOP SPORTS

Georgia's most promising entries are expected in judo, track events, gymnastics and tennis.

"There are plenty of young Georgians who are participating in Tbilisi 2015. For example, there are some good athletes for sure in athletics and gymnastics," Vadim Akhmadiev, sports manager of Tbilisi 2015 told Investor.ge. "We are expecting some good results in judo, as it's almost the number one sport here in Georgia and has a huge Olympic tradition. There are some hopes in tennis, as well, and we also hope for success in team sports like volleyball and handball."

At the previous Youth Olympic Games, held in Utrecht, the Netherlands, the top five medal winners were Russia, Great Britain, France, Hungary and Italy. Out of the 38 medal-winning countries, Georgia ended up in 13th place with eight medals in total – two gold, three silver and three bronze.



**Basketball (boys):** Sports Palace and Vere Basketball Palace  
**Seating capacity of Sports Palace:** 9,000 (Sports Palace; 2 halls)  
**Address:** 75 Kostava Street  
**Seating capacity of Vere Basketball Palace:** 2, 254  
**Address:** 26 May Square




**Basketball (girls)**  
**Seating capacity:** 1,800  
**Address:** 45 Kostava Street



**Athletics:** New Athletic Stadium  
**Seating capacity:** 3,000  
**Address:** Dighomi, New Tbilisi District

**A map is available at:**  
<http://tbilisi2015.com/en/venues>



A photograph of a waterfall in a lush, green forest. The water is cascading over mossy rocks, creating a white, frothy flow. The surrounding vegetation is dense and vibrant green, with various ferns and leafy plants visible. The scene is captured in a way that emphasizes the natural beauty and tranquility of the environment.

# GEORGIA'S CRYING MOUNTAINS: A Journey to Mtirala National Park

INVESTOR.GE'S HEATHER YUNDT RECENTLY TRAVELED TO THE MTRALA NATIONAL PARK IN ADJARA. THE PARK, WHICH IS JUST A FEW KILOMETERS NORTH OF BATUMI, IS A BEAUTIFUL OFF-THE-BEATEN-PATH SIDE TRIP FROM THE BLACK SEA.

**I**n the town of Chakvi, north of Batumi, pointed hills meet the Black Sea. Clouds hang low between the hill crests. Houses seem to sprout from the surrounding greenery.

This isn't the Georgia I was expecting to see this weekend.

With a friend visiting Georgia for the first time, I had booked flights to Mestia. I cross my fingers through day after day of rain and hope for the best on our way to the airport just north of Tbilisi. At the airport, our departure time ticks by and still no plane appears on the runway. We





pull out our map of Georgia. It's time for Plan B. Mtirala National Park, in the Adjara-Imereti mountain range, catches my eye. Just 12 kilometers north of Batumi, it seems reachable without a car. We're soon on a six-hour bus ride across the country. We book a guesthouse over the

phone with my broken Georgian. "My friend has a taxi. He will drive you," our host tells me. At least that's what I think he said. We reach Chakvi on foot from the Batumi Botanical Gardens and ask around for a minibus headed toward the national park. After all, our rural tourism brochure tells us Gurami Guesthouse is just 400 meters from the motorway.

Someone calls to us from across the road. We look up from our map. Guram's friend has found us. We hop into his Lada and we're off.

The road leaves town and begins to twist around the hills. We are soon grateful to our host's friend for agreeing to do the trip. About seven kilometers in, we pass the Mtirala park sign. That's where the paved road ends. Eight slow kilometers later, we reach the park's Visitor's Center. Our driver keeps going.

Guram is waiting for us in rain boots with his son to help carry our bags. A sign points up the hill: Gurami Guesthouse, 0.4 kilometers. This is where our "motorway" ends. We trudge up the hill through the mud.

Mtirala National Park, established in 2007, covers about 15,700 hectares of Colchic mixed forest. The moisture trapped between the mountains and the sea makes the Mtirala Mountains one of the wettest places in the country. The precipitation, often exceeding 4,000 millimeters a year, is what has given Mtirala its name: "the one who cries."

We set off from Guram's early the next morning, map in hand, homemade khachapuri warming our backpacks. The trail starts from the Visitor's Center. It follows a river, leading us past a small zip-line course to a 15-meter tall waterfall. The cold spray quickly turns us around.

From there, we join the second trail heading up. The mountains are low by Georgian standards — just 1,381 meters

above sea level. But the nearly 1,000-meter muddy climb in altitude makes it no easy route.

We pass Colchic box trees, ivy, and cherry laurel shrubs. Further up, the trail takes us through beech groves. Known for its biodiversity, Mtirala National Park is home to 284 plant species, including a variety of endemic and relict plants.

The park is particularly known for its birds of prey and amphibians, such as the Caucasian salamander and Caucasian toad. According to signboards, roe deer and brown bear are in the area, but the forest is quiet.

The crisp air and light rain keeps us moving. We take the steep path slowly, passing two campsites complete with outhouses and picnic tables. Somewhere nearing the top, we enter the cloud-cover. The mud becomes wet snow.

We pause at a refuge near the top of the trail for lunch. The shelter can host about eight people and is equipped with a toilet and shower. Solar panels provide electricity and hot water. But the refuge is locked. We've forgotten to get the key from the Visitor's Center. The solar panels become our shelter instead.

We descend quickly following an old forestry road. Officially, the trail is a recommended two-day hike, but the 15-kilometer loop takes us only about eight hours.

Back at the guesthouse, Guram's family is ready with food: homemade bread, fresh eggs, fried potatoes, warm bean stew, and of course homemade wine. We stumble through Georgian conversation before retreating to our room where a fire is burning.

Mtirala's mountains are far from the postcard-perfect image of defense towers in the high Caucasus that cover Georgian guidebooks. But this lush national park's off-the-beaten-path beauty is worth the trip. Svaneti can wait.



Jenny Holm

Photo by Hanna Lundgren

## New Frontiers for Georgian Cuisine

Could khinkali and khachapuri become the next street food for Washington, DC?

JENNY HOLM

It's been an exciting couple of months for Georgian food and wine in the Washington, DC area, where I live. In an indication of just how hot khachapuri has become on the local dining scene since it was first introduced on the menu at a "global street food" restaurant called Compass Rose just over one year ago, *The Washington Post* recently described it as "that delicious cheese bread concoction that is the reigning it food to name drop at D.C. gatherings." Georgian Embassy chef Irma Japaridze recently showcased it (along with spinach pkhali

and eggplant rolls with walnut sauce) at a cooking competition among the in-house chefs of various embassies. (She was beaten out by the chef from the Embassy of Venezuela.)

Compass Rose plans to debut khinkali dumplings on their menu this summer, which would again make them the first restaurant in the U.S. capital to do so. There's no question that local diners are going to fall hard for them: besides being delicious and fun to eat, they're the perfect match for one of Washington's favorite beer styles: American-brewed India pale ales, which are pleasantly sharp and herbal thanks to the extra-

generous addition of hops during the brewing process.

I'm looking forward to the time when khinkali, too, have become so commonplace in Washington that I'll be able to refer to them in passing, barely stopping to define them, as prominent *Los Angeles Times* food critic Jonathan Gold does in a recent post, "Looking for Khinkalis? Old Village in Glendale has them," about a Georgian restaurant in Glendale, California.

Local importer and distributor Georgian Wine House celebrated its ten-year anniversary importing Georgian wines to the U.S. near the end of May, with a tasting at Georgian-owned Batch 13 wine shop. They imported their first bottles from Teliani Valley in 2005, not long before the Russian embargo forced a sea change in the Georgian wine industry, leading to better quality vintages and significantly boosting U.S. and European interest in Georgian wines. I recently wrote an article for *The Washington Post* chronicling that process (and the similar one that is underway in Moldova).

There's a lot of familiarization that remains to be done before that can happen, though. In an effort to move this process forward, I co-hosted a Georgian food and wine event in April with a chef friend who runs her own food consultancy firm.

She and I had traveled to Georgia together in October and wanted to introduce DC residents to Georgian dishes beyond the Adjara khachapuri they already know and love. We planned the event as a standing reception with passed appetizers and free-flowing wine, so our challenge was to design each dish to taste Georgian yet be edible as "finger food."

This wasn't easy: traditional Georgian dishes don't lend themselves to being eaten with one hand while standing up. The supra, or feast meal, is de-



signed by definition to make tables groan under its weight. (The word “supra” literally means “tablecloth.”) I struggle under the strictures of that tradition sometimes, caught between competing urges to provide an “authentic” experience while also drawn towards my desire to blend this foreign culture I love with the one I grew up in and inhabit.

Though we in the United States tend to pride ourselves on adapting to innovation quickly, that same spirit doesn’t always extend to the foods of cultures other than our own. The quest for “authenticity”—to find the food that tastes just the way it did when you ate it on a street corner in some far-flung city across the globe—is never-ending. People often get upset when you tinker with something they’ve come to know in a single form.

Tekuna Gachechiladze of the restaurant and cooking school Culinarium has spoken about this dilemma. “People here sometimes don’t like me because I encourage them to experiment with dishes that have been done the same way for centuries,” she told me. “I might suggest making chakapuli (a meat stew with tarragon and white wine, traditionally made with lamb) with mussels instead. It’s not a big change, but people can be scared to try something different.”

As Georgian food continues to make inroads into Washington’s dining scene, my hope is that the public here will eventually become familiar enough with classics like khachapuri and khinkali that variations will become not only permissible, but welcomed. I hold a similar hope for restaurants in Georgia itself—that pioneers like Gachechiladze will be able to push the definition of what constitutes “Georgian cuisine” further out and expand the space for creativity and experimentation with flavors in the kitchen.



Photo by Sally Maggard

## Georgian Chicken Salad

SERVES 6

This dish represents a fusion of Georgian and American traditions. Chicken salad is commonplace in both cultures, but serving it on a bed of greens or in a sandwich is an American habit. Georgians typically use only the celery greens whereas Americans use only the stalks: this recipe calls for both. American chicken salad often contains grapes, but I’ve substituted pomegranate seeds here.

- 4 chicken breasts or about 1.5 lbs. of boneless, skinless chicken
- 1 ¼ tsp. kosher salt, divided
- 2 stalks celery, finely sliced
- 3 scallions, finely sliced
- 2 cloves garlic, minced or mashed
- 4 tsp. ground coriander
- ½ tsp. crushed red pepper flakes
- ¼ tsp. black pepper
- Juice of half a lemon
- 1 ½ Tbsp. white wine vinegar
- ½ cup plain yogurt (not Greek-style)
- ½ walnuts, ground
- ½ cup chopped fresh cilantro
- ½ cup chopped fresh dill
- (or 1 cup of any combination of chopped fresh herbs including flat-leaf parsley, mint, tarragon, summer savory, basil, celery greens, etc.)
- ½ cup pomegranate seeds
- Lettuce, arugula, spinach or other greens (if desired)

**1** Put the chicken in a pot with enough water to cover the pieces by one inch. Add ¼ tsp. salt. Cover and bring to a boil. Simmer 15 minutes or until cooked through. Remove the chicken to a plate and cool completely. Reserve the broth for another use.

**2** When it has cooled, shred the chicken into thin pieces. In a large bowl, mix the chicken with the rest of the salt, and all the other ingredients except the lettuce or other greens. Adjust seasonings to taste. Cover the bowl and chill the salad in the refrigerator for at least 2 hours before serving to allow the flavors to meld.

**3** Serve the salad on a bed of lettuce, arugula, or other greens. For a sandwich, layer the chicken salad and greens on slices of crusty baguette or stuff inside a pita. Alternatively, hollow out halves of tomato and stuff the cups with chicken salad.



LEVAN RAMISHVILI, AN AWARD-WINNING GEORGIAN POET AND LINGUIST, BELIEVES THE POWERFUL IMAGERY IN SHOTA RUSTAVELI'S 12TH-CENTURY MASTERPIECE, THE KNIGHT IN THE PANTHER'S SKIN, WARRANTS DEEPER STUDY AND MORE INTERNATIONAL SCHOLARSHIP. WRITTEN BY TATJANA MONTIK

# The Hidden Layers of Rustaveli's Work

Even though he was an author from the 12th century, poet Shota Rustaveli seems omnipresent in modern-day Georgia. Nearly every city in the country has a street named after him and many still learn his masterpiece, *The Knight in the Panther's Skin*, by heart.

The poem, which has long been seen as a guide to the virtues Georgians hold sacred, has also inspired poets and linguists around the globe.

Nevertheless, Tbilisi-based linguist, essayist and poet Levan Ramishvili believes Rustaveli's work has not received enough international recognition.

"Why should Georgia be known worldwide as the birthplace of Joseph Stalin and not as a country of the great philosopher Shota Rustaveli?" he asked, adding that many countries, including Germany, have established institutes overseas to study Georgia's great writers.

## THE ANCIENT WISDOM OF RUSTAVELI

An institute modeled on the Goethe Institute could help foreign scholars delve into the powerful imagery Rustaveli used to craft his masterpiece, Ramishvili said.

The award-winning linguist has already published a book about the deeper significance of Rustaveli's work – and he hopes he can inspire others to look past the obvious themes in Rustaveli's poem.

Ramishvili, who received Georgia's highest literature prize in 2007 for his translation of the Bhagavad Gita from Sanskrit to Georgian, said the experience helped him look at Rustaveli's work in a different way.

"Since I needed inspiration for my poetic translation of the 'Gita,' I naturally looked for it in Rustaveli's work, so that I could maintain good form as a poet," Ramishvili said.

"And as I was going deeper and deeper into 'The Knight,' I discovered that this poem is not only about love and friendship, as you might see at the first glance."

After studying Sufi poetry, as well as critical pieces of ancient Indian literature such as the Upanishads, Ramayana and the Bhagavad Gita, Ramishvili came to realize the powerful figurative language in Rustaveli's work echoes that in ancient Eastern poetry.

He said ancient Oriental philosophy opened a window to explore the symbols evoked by Rustaveli in his epic poem.

"Only when you have an understanding about ancient Oriental philosophy, the symbols of the world's poetry, about the archetypes of these symbols, only then you can understand that Rustaveli used them to bring a more profound sense into his work, which usually stays uncovered," Ramishvili said.

An example, he said, is how Sufi poetry uses a woman's figure. "One of the most important figures of the Sufi poetry is the figure of a woman and the different parts of her body: her face, her lips, her eyes and even the way she is looking. When a Sufi poet is praising a woman, in reality, he is praising God for all of the woman's different qualities."

Ramishvili believes Rustaveli uses a similar literary tool in "The





tions, the hidden meanings and layers of the poem have been left unexplored, Ramishvili said.

### A TIMELESS CLASSIC

Even without the additional interpretations, however, Rustaveli's work is widely respected in Georgia and abroad.

"It is hard to believe that in 12th century Georgia, the knowledge that Rustaveli described in his poem was possible," Ramishvili said.

Rustaveli not only showed the way for a man to achieve a higher truth, but he also praised individual freedoms to an extent that seems incredible for an author of the 12th century.

In Rustaveli's epic, his heroes are not following the morals of a certain society; they are guided by their own principles and their inner voices. In "The Knight," for example, a Christian freely married a Muslim.

"Being a phenomenal author of global importance, Shota Rustaveli belongs not only to Georgia but occupies a first and foremost place in our world's culture, and his wisdom is very much worthy of being known world-wide," states Ramishvili.

Knight." "If you read the poem correctly, you realize that this is not just a fairytale of a man who is looking for his beloved and who is helped by a true friend, but the story of a man looking for truth, as well as a way how to attain this highest form of wisdom".

"The Knight," he stressed, is not just about three men, Tariel, Avtandil and Fridon, searching for a stolen beauty, Nestan, but about three key elements of man looking for God and the truth.

Ramishvili came to this conclusion after reading the Ramayana, an ancient Indian epic poem, which also uses the figurative tool of three men seeking a

woman. In reality, the three men personify the qualities of one person: the heart, the body and the mind of a human being. After comparing these texts, Ramishvili concluded that, "[i]n Rustaveli's work there is Tariel who represents the heart, Avtandil who signifies the mind, and Fridon who symbolizes the body."

There are many more possible symbols in Rustaveli's work, including the cave, which could stand for meditation; the cypress, which could be interpreted as eternal life, gained after overcoming death; and the lions, which could represent human fears.

Unfortunately, in traditional transla-





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## REFORMS AND THE WTO: HOW IS RUSSIA'S EURASIAN ECONOMIC UNION AFFECTING REGIONAL TRADE



Laurie Kelleher, international trade advisor to the Ukrainian Ministry of Eco-

nomics Development and Trade, spoke to AmCham members about reforms in Ukraine, the WTO and the Russian Eurasian Economic Union on May 5 during AmCham's monthly meeting, which was held at Rooms Hotel.

Ms. Kelleher spoke about the protectionist policies Russia is pursuing through the Eurasian Economic Union and underlined regional trade dynamics affecting Georgia.

Nicholas Berliner, Deputy Chief of Mission from Embassy of the United States in Georgia, opened the meeting. He outlined issues concerning foreign policy, the economic impact of national



currency depreciation, the recent trade mission and ongoing changes concerning the labor inspectorate.

## EBRD ANNOUNCES NEW INVESTMENT COUNCIL

Mr. Bruno Balvanera, Director for Georgia, Armenia, Azerbaijan, Moldova and Belarus at the EBRD, announced plans to create an investment council headed by the Georgian prime minister at the April 23 luncheon at Tbilisi Marriott Hotel.

The council will include representatives from the economy ministry as well as AmCham and all major business associations in Georgia.

Mr. Balvanera also spoke about the EBRD 2015 Annual Meeting and Business Forum, which was held in May.



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## AGRI-BUSINESS COMMITTEE HOSTS EU ADVISOR TO MINISTRY OF AGRICULTURE

AmCham's Agribusiness Committee hosted Matti Lampi, EU Advisor to the Ministry of Agriculture of Georgia, who presented a Georgian government plan and timeline for implementation of phytosanitary standards and HACCP at the committee meeting on April 20.

The timeline and plan is required by the Association Agreement. The presentation included a discussion of the government's efforts regarding the implementation of different standards in SPS and the impact of EU approximation on Georgian agro-food sector. There followed a discussion of the main issues and problems in the sector.

## AMCHAM EXECUTIVE DIRECTOR DETAILS MIGRATION LAW AMENDMENTS

Ambassador Richard Norland provided members with an engaging political and economic update from the U.S. Embassy at the AmCham monthly luncheon on April 8 at the Radisson Blu Iveria Hotel. He was followed by George Welton, Executive Director at AmCham Georgia, who spoke about current initiatives and advocacy, including proposed amendments to the migration law. The meeting was followed by an engaging Q&A session and awarding of Batumi International Container Terminal and Rooms Hotels with a membership certificate.

# CSR COMMITTEE: EXPANDING HOW COMPANIES VIEW CORPORATE RESPONSIBILITY



AmCham's CSR Committee discussed its action plan of expanding commonly accepted values concerning corporate responsibility and different channels to approach business in Georgia during its monthly meeting on May 21. The CSR Committee aims to popularize the idea of modern, responsible and successful businesses by observing and evaluating modern companies. Each working group: Platform, Tools and Monitoring have presented and clearly articulated the means and actions they have been pursuing since the last meet-

ing in April.

At the April meeting, AmCham CSR Committee hosted Giorgi Gongliashvili, the sustainable development initiative coordinator at BP, to learn about the research that BP conducted about CSR challenges and opportunities in Georgia. The presentation was followed by a discussion on responsible conduct in the country. As agreed at the previous meeting in March, each working group (platform, tools and monitoring) presented the vision and the concept of their future activities.





# Batumi: A Year-Round Destination

INVESTOR.GE SPOKE WITH STUART NELSON, THE GENERAL MANAGER OF HILTON BATUMI, ABOUT THE NEW HOTEL, TOURISM IN GEORGIA AND HOW TO TURN GEORGIA'S BLACK SEA BEACH TOWN INTO A YEAR-ROUND HOLIDAY DESTINATION.

Hilton Batumi is ready to prove Adjara can be a 12-month resort for visitors from around the world.

The hotel's general manager, Stuart Nelson, told Investor.ge that Batumi "is well placed" to compete in the regional tourism market.

"Batumi has a tradition within the Eastern European market that can be capitalized on," he said.

"There are large emerging markets that need to be encouraged through easy to access visitors' visas. I believe that people in the drier, more arid areas of the region will be delighted to holiday in Batumi's green lush countryside. With markets such as Dubai, Doha as well as India and China to add to this mix, Batumi is well placed to compete in this tourism market."

Nelson noted that Hilton Batumi is poised to help the city raise its awareness with tourists around the world.

"This is our first summer season. We are eager to see what the demand is like, but already we see our presence in the market is raising people's awareness of Batumi, through the enquiries we are receiving," he said.

"We hope we add awareness of Batu-



mi... When there are 5 good restaurants in a town, this becomes the restaurant district. When there are a collection of good hotels offering great service, then there is a reason to go there. We add to the draw and attraction of the city."

He added, however, that the "real challenge" is the 40 weeks of the year before and after the summer season.

The casino industry and other events, like the Batumi Jazz Festival, help draw visitors. But Nelson added that the government can take several concrete steps to help Batumi – and the wider region – develop its tourism industry.

"There firstly needs to be a tourism plan that will be used by successive governments to develop this sector and increase revenues into the country's bank

account," he said, adding that twice daily, consistent flights between Batumi and Tbilisi are necessary to make the city accessible to visitors.

In addition, Nelson added that on-line visas for all potential visitors to the country would help Georgia "attract those amazing new markets and encourage them to holiday here and also to have their regional company meetings, exhibitions and gatherings here."

"We are so excited to be in this young country's early stages of development," he said.

"With the country's disposition to generations of hospitality, it shouldn't take too much to invoke the natural smile within every Georgian, and amaze every tourist and every visitor."





# *Hotel River Side* **Awarded 2015 Trip Advisor Certificate of Excellence**



**River Side Hotel has  
been recognized as a top  
performing hotel as reviewed  
by travelers on the world's  
largest travel site**

Hotel River Side Tbilisi has received a TripAdvisor® Certificate of Excellence award. Now in its fifth year, the award celebrates excellence in hospitality and is given only to establishments that consistently achieve great traveler reviews on TripAdvisor. Certificate of Excellence winners include accommodations, eateries and attractions located all over the world that have continually delivered a superior customer experience.

When selecting Certificate of Excellence winners, TripAdvisor uses a proprietary algorithm to determine the honorees that takes into account the quality, quantity and recency of reviews and opinions submitted by travelers on TripAdvisor over a 12-month period as well as business's tenure and ranking on the Popularity Index on the site. To qualify, a business must maintain an overall TripAdvisor bubble rating of at least four out of five, have a minimum number of reviews and must have been listed on TripAdvisor for at least 12 months.

“Winning the TripAdvisor Certificate of Excellence is a true source of pride for the entire team at “River Side” and we’d like to thank all of our past guests who took the time to complete a review on TripAdvisor,” said Tekla Vekua, PR and Marketing Manager at River Side Hotel. “There is no greater seal of approval than being recognized by one’s customers. With the TripAdvisor Certificate of Excellence based on customer reviews, the accolade is a remarkable vote of confidence to our business and our continued commitment to excellence.”

“TripAdvisor is pleased to honor exceptional hospitality businesses that have received consistent praise and recognition by travelers on the site,” said Marc Charron President, TripAdvisor for Business. “By putting a spotlight on businesses that are focused on delivering great service to customers, TripAdvisor not only helps drive increasing hospitality standards around the world, it also gives businesses both large and small the ability to shine and stand out from the competition.”



# GRANT THORNTON, AKHVLEDIANI CONSULTING MERGER

ON 22 APRIL, A COCKTAIL RECEPTION WAS HELD AT RADISSON BLU IVERIA HOTEL TO CELEBRATE THE MERGER BETWEEN GRANT THORNTON GEORGIA AND AKHVLEDIANI CONSULTING.

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### Best Western Hotel Tbilisi CORP A

Best Western International is the world's largest hotel chain with more than 4000+ hotels in 100 + countries and territories. It is a membership association of independently owned and operated hotels that provides marketing, reservations and operational support to its member hotels.

Being the member of the Best Western Brand, Best Western Tbilisi Hotel offers 48 spacious and comfortable guest rooms with all the facilities and amenities you would like to enjoy while traveling. Centrally located in the busy part of the city center, hotel is surrounded by offices, and is adjacent to shopping street and main attractions.

In addition to spacious and comfortable guest rooms Best Western Tbilisi offers on-site Restaurant and Bar, Spacious Meeting facilities with state of art technologies, 800 sq. meter vast fitness center and variety of treatment rooms. Guest can use the underground garage that is conveniently located on -2 level. Stay at Best Western Tbilisi while on business or leisure trip.

[bestwesterntbilisi.ge](http://bestwesterntbilisi.ge)



### Kavkaz Cement, JSC CORP A

In 2010, Kavkaz Cement established the company Kavkaz Cement Georgia (KC Georgia) and began production of concrete and raw materials in Poti and Natanebi, Western Georgia. Later KC Georgia put into operation a new stationary batching plant in Tbilisi. Nowadays the company offers a variety of high quality ready-mixed concrete and provides full service with mixer trucks and mobile pumps.

[www.kavkazcement.ge](http://www.kavkazcement.ge)



### Oracle CORP A

Through the acquisition activities, Oracle seeks to strengthen its product offerings, accelerate innovation, meet customer demand more rapidly, and expand partner opportunities. An integral part of Oracle's Mergers and Acquisitions philosophy is the consistent commitment to customer service and product support while achieving financial return objectives and creating value for its shareholders.

[oracle.com](http://oracle.com)



### USA2Georgia, LLC CORP A

USA2Georgia, LLC, an International shipping company, provides its customers with the individual mailbox with a street address in USA. The customers can use that address in online stores as a delivery address.

[usa2georgia.com](http://usa2georgia.com)



### Georgian Hospitality Group CORP B

Georgian Hospitality Group is a holding company, which owns leading Georgian tourism and hospitality service providers such as: Caucasus Travel, Georgian Events, Explore Georgia and CT Auto. Each of them have reached leading positions in their fields, gained a reputation of high professional, reliable partner as on international market, as well as locally.

- Caucasus Travel - established in 1991 is incoming tour operator and destination management company specialized in cultural and adventurous tours for groups and independent travellers to South Caucasus countries.

- Georgian Events - are marked leaders in conference organization/management, all kind of events and equipment rental.

- CT Auto - provides self-drive car rental and chauffeur divers services, also offers short and long term rentals, intercity transfers in Georgia and South Caucasus.

Georgian Hospitality Group aims to develop projects and attract investments in tourism and hospitality infrastructures.

[www.ghg.ge](http://www.ghg.ge)



### Basel LLC CORP B

Development and sales of property and lands.

[baselgroup.com](http://baselgroup.com)





### **Crowne Plaza Borjomi CORP B**

Crowne Plaza Borjomi is situated in the heart of Borjomi, a picturesque Georgian spa and resort town, near Borjomi Park. The hotel features 101 well-appointed guest rooms and suites. Complimentary Wi-Fi and specialty pillows are on offer. Modern guest rooms, terrace café, two restaurants, bar and Wine bar, Club Lounge and the gym, exclusive Wellness & Spa Centre (2.400 sqm), and leisure facilities like: Swimming Pool, Jacuzzi, Saunas, different relaxing areas and health treatments. Hotel has two floor playroom and dedicated kids' menu for the youngest guests and 6 meeting rooms with 500 m<sup>2</sup> space for up to 500 guests. The hotel will be open in the beginning of August.

[cpborjomi.com](http://cpborjomi.com)



### **Herbalife CORP B**

Herbalife is a global nutrition company. Herbalife was founded in Los Angeles in 1980 and operates today in more than 90 countries worldwide. Herbalife is the publicly traded company on the New York Stock Exchange with more than 7,400 employees and millions of customers. The company reported net sales of \$5 billion in its full year 2014 financial filings. Herbalife is committed to helping fight obesity and poor eating habits by offering high-quality products, personal high-touch coaching and a social environment that inspires customers to eat better, maintain a healthy weight, and pursue a healthy, active lifestyle.

[herbalife.ge](http://herbalife.ge)



### **Center for Social Sciences (CSS) NP**

The Center for Social Sciences (CSS) is an independent research center and think tank founded in 2003. The mission of CSS is to support the development of a creative, evidence-based research in various political, economic and social areas. CSS research focuses on foreign policy and security, EU integration, gender equality, education and development. The Center offers both academic and applied research to governmental and non-governmental institutions, international organizations and businesses. It is also active in public-policy dialogue involving government, diplomatic missions, civil society organizations and academia.

[css.ge](http://css.ge)



### **Caspi Group CORP B**

Advertising and souvenir production, printing services, industrial kitchen equipment ([www.caspicuisine.com](http://www.caspicuisine.com))

[caspigroup.com](http://caspigroup.com)



### **HeidelbergCement Georgia COPR B**

With its leading position in the Georgian cement market, HeidelbergCement Georgia operates 4 cement plants in the Kaspi, Rustavi (2) and Poti Regions. HeidelbergCement employs more than 1200 people in its production companies in Georgia: "HeidelbergCement Georgia" (former "SaqCementi") and "Kartuli Cementi". Beside the cement companies, HeidelbergCement successfully operates in concrete business line and owns production company "HeidelbergBeton Georgia". Today HeidelbergCement runs 9 concrete plants in Georgia.

[heidelbergcement.ge](http://heidelbergcement.ge)



### **Good Governance Initiative (GGI) in Georgia NP**

The Good Governance Group in Georgia (G3) project addresses the diverse challenges facing governance at the national and local levels. The project was established in 2011 and aims to improve governance and transparency at the federal level promoting more responsive, expert, and engaged neighbouring governments.

[ggi.ge](http://ggi.ge)

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www.tbc.com.ge

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www.natakhtari.ge

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www.salvationarmy.org

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www.sdsu.edu

■ **Transparency International Georgia**  
26 Rustaveli Ave. 0108  
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www.transparency.ge



## AIR ASTANA LAUNCHES NEW SERVICE FROM ASTANA TO TBILISI, GEORGIA

Air Astana, the award winning Kazakh flag carrier, launched new services from Astana to Tbilisi, Georgia on 2 June.

The new service from Astana to Tbilisi is operated by Embraer E190 (9 Business class/88 Economy class seating configuration) twice a week and is additional to the current five times a week service from Almaty to Tbilisi now offering a daily product between Kazakhstan and Georgia. More than 120,000 passengers have travelled on Air Astana flights to Tbilisi since services commenced in 2011.









# AMY DENMAN APPRECIATION COCKTAIL PARTY

On May 1, AmCham hosted Amy Denman Appreciation Cocktail party at the Funicular Lounge Bar. The guests were welcomed by AmCham President Sarah Williamson and Amy.

The reception, which featured the Funicular's signature cocktails and canapés, was attended by many partners and member companies, as well as members of the board.









## AMCHAM COCKTAIL HOUR

AmCham, together with the German Business Association, invited members to a cocktail hour at the Holiday Inn pool on June 6. Guests enjoyed cocktails and snacks at the newly opened outdoor pool.







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