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EXPLAINER:

The National Bank of Georgia's Financial Supervisory Council

ON SEPTEMBER 21, THE PARLIAMENT APPOINTED THE HEAD OF THE NEW SUPERVISORY COUNCIL FOR THE NATIONAL BANK OF GEORGIA. THE NEW COUNCIL, INITIATED BY THE PARLIAMENT EARLIER IN THE YEAR, HAS BEEN WIDELY CRITICIZED BY PRESIDENT GIORGI MARGVELASHVILI AND THE FREE DEMOCRATS OPPOSITION PARTY. BUSINESS GROUPS AND INTERNATIONAL FINANCIAL INSTITUTIONS HAVE ALSO EXPRESSED CONCERNS ABOUT THE COUNCIL'S POTENTIAL EFFECT ON THE NATIONAL BANK OF GEORGIA'S INDEPENDENCE.

WHAT IS THE FINANCIAL SUPERVISORY COUNCIL, AND WHY WAS IT INITIATED?

The Financial Supervisory Council is a council made up of seven members that are in charge of monitoring and providing oversight for the banking sector. The Council operates under the National Bank of Georgia, but has its own separate board. Prior to the creation of the Financial Supervisory Council, the main Board of the National Bank of Georgia (NBG) fulfilled those roles.

The council was first initiated by the ruling coalition in Parliament as a way to bring transparency to the work of the NGB and increase public trust in the NBG.

WHO IS CONCERNED ABOUT THE COUNCIL AND WHY?

There had been widespread concern that the creation of the Council would have a negative impact on the economy. A wide range of organizations (including AmCham) have argued that the NGB has, over the years, demonstrated its competence. It was therefore argued that any change in its status would be seen as an attack on the political independence of the institution.

The Constitutional Court voted to suspend the Financial Supervisory Council on 12 October, pending the court's verdict.

The Georgian Dream coalition in Parliament, as well as government officials, have rejected these claims, arguing that since the National Bank has become such a hot political issue, it is important that its supervision of the banking sector is made more accountable.

One of the authors of the initiative, MP Tamaz Mechiauri, said the new Council will increase public "confidence" in the NBG. Speaking at Parliament debates before the bill was adopted, Mechiauri said the new Council would ensure that "fluctuations in lari's exchange rate will no longer depend on one man's wishes," Civil.ge website reported on July 17.

A range of other players in the Georgian political scene continue to disagree. President Giorgi Margvelashvili has repeatedly come out against the Council. He vetoed the law after it was initially passed in July.

"As this wrong decision has already been enacted, now the Georgian government, the Georgian National Bank, and the newly created financial supervisory agency should do joint coordinated work so that the public will avoid further losses triggered by the exchange rate [of Georgian currency lari]," Margvelashvili's advisor, Giorgi Abashishvili, told Rustavi 2 TV.

Two opposition political parties, the United National Movement and the Free Democrats, have filed a case in the Constitutional Court against the law that created the Council, arguing that even though the Council is formally under the NGB, it is now practically separate, and as a result, the NBG can no longer fulfill its constitutional duties.

Other groups, including some business associations and international financial institutions, have also expressed

There had been widespread concern that the creation of the Council would have a negative impact on the economy.

some concern that the new, weaker NGB will create problems for the banking sector. "The government pins great hope on the board [of the agency] that it will be able to stabilize the exchange rate. On the other hand, some view points have been expressed, questioning the independence of the board, which could have a dramatic impact on the monetary and banking system in general," Radio Liberty reported.

WHO MAKES UP THE COUNCIL TODAY?

Four members of the seven-member council, plus its chairman, have already been appointed by Parliament. They are:

- Konstantine Sulamanidze, the former CEO of Progress Bank, as the head of the Council.
- Irakli Kovzanadze, previously the CEO of the government-run Partnership Fund);
- Ekaterine Galdava, previously employed at Ivanishvili's Cartu Bank and, for two years, served as Vice President of NGB;
- Sascha Ternes, previously the CEO of ProCredit Bank Georgia and Deputy CEO of Bank of Georgia;
- EfremUrumashvili, a partner at Nodia, Urumashvili & Partners law firm.

The current head of the NBG, Giorgi Kadagidze, and a member of the NBG's board will take two seats on the Council.

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A FOREIGN EDUCATION AT HOME:

San Diego State University Opens its Doors for Business

Ken Walsh, the dean of San Diego State University-Georgia.

GEORGIA IS PRIORITIZING SCIENCE AND ENGINEERING EDUCATION. TO ATTRACT LOCAL TALENT, THE GOVERNMENT HAS TEAMED UP WITH A U.S.-GOVERNMENT-FUNDED PROGRAM AND SAN DIEGO STATE UNIVERSITY TO TEMPT YOUNG PEOPLE WITH AN AMERICAN EDUCATION AND A CAREER IN SCIENCE.

MAIA EDILASHVILI

Future Georgian scientists and engineers are studying for an American degree this fall, much like bright and promising students have done for years. But unlike generations before them, they won't have to travel thousands of miles from home to achieve their dreams.

This year, eligible student scan work toward a U.S. degree in classes and lectures held in Georgian universities thanks to a $140 million compact signed between the U.S. Millennium Challenge Corporation (MCC) and the Georgian government.

Under the project, California's San Diego State University (SDSU) is offering bachelor degree programs in Georgia in science, technology, engineering and mathematics (known as STEM) in partnership with three local public universities: Ivane Javakhishvili Tbilisi State University, Ilia State University and Georgian Technical University.

Three majors are available to aspiring students in the program this year: computer engineering, electrical engineering and chemistry/biochemistry. Three more specialties – computer science, civil engineering and construction engineering – will be added next academic year.

Upon graduation, the students will receive both Georgian and U.S. diplomas.

SDSU-Georgia has accepted slightly over 80 students: 25 percent for the chemistry program, 25 percent for electrical engineering, and remainder for computer engineering. The list of students includes a handful of international students, including those from Azerbaijan and Kazakhstan.

"I liked that I would have a chance to study in my country, while my lecturers will be U.S. professors, and I will get a double American-Georgian degree," one of SDSU's new students, Nika Alavidze, told *Investor.ge*.

MISSION TO IMPROVE GEORGIA

The program is one part of the Georgian government and MCC's efforts to counter the mismatch between the modern labor market and Georgia's pool of graduates.

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The STEM Academy, organized by SDSU-Georgia for the freshmen class.

Before classes started on September 28, SDSU Georgia organized two-week intensive orientation meetings, called theSTEM Academy, to get to know the students, explore their English and prepare them to work in a U.S. curricula.

Ken Walsh, the dean of San Diego State University-Georgia, said one thing was clear after the STEM Academy: incoming students are driven by entrepreneurship.

"They have a strong feeling – of a mission to help improve the economy of Georgia," Walsh told Investor.ge in an interview. "The goal for the whole project was to develop a workforce that could transform the economy of Georgia. Now, after getting to know the students, I am absolutely confident that these are the right people to do that."

SDSU Professor William Tongis also very optimistic. He has been involved with this project from the beginning and visited Georgia many times already. "We have been working on this for a long time – 2-3 years now – and finally, I see the students this time! They are very motivated; they ask good questions; they are excited to be in this program, and we are also very excited," noted Tong, who serves as the director and chair of the Department of Chemistry and Biochemistry at SDSU.

For Tong, SDSU-Georgia's mission is to produce a highly skilled and highly educated workforce with the same qualifications as they have in California, so that the graduates in Georgia can go to any biotech company or high-tech company and start work right away. "Hopefully, once Georgia has a qualified workforce,U.S. or other international companies will be more interested to come. And we will have an innovative economy here in Georgia," he told Investor.ge.

One of the advantages for SDSU-Georgia students will be an opportunity to receive hands-on experience at the newlyinstalledcutting-edge laboratories at the three partner universities.

"All our students will be required to do undergraduate research to have hands on experience with all the equipment and research topics," Tong said. According to him, this will be possible in a number of different ways: one is to set up collaboration projects so that students can go to labs here and carry out projects, while some can go to California and work on these projects there.

"In San Diego, as soon as our students finish, they are ready to go to jobs

immediately because we emphasize a lot on hands-on experience. Our students in Georgia will have the opportunity to visit our campus or be interns at San Diego biotech companies and high-tech companies," Tong explained.

"We have to figure out travel grants and awards. It depends on how many students want to do that or how much money we will need. Some students may want to do it on their own, but some may need our help. Lots of our professors will be also coming here to teach."

A "NEW TYPE" OF SCHOOL

SDSU-Georgia does not have a stand-alone campus. One goal of the project is to help the local partner universities upgrade their laboratories, libraries and other facilities.

For Vladimer Papava, Rector of Ivane Javakhishvili Tbilisi State University, SDSU-Georgia is "a new type of engineering school."

"In purely pragmatic terms, this cooperation gives us a cutting-edge technical base. Also, SDSU professors will be engaged in the academic process, and the best students will have a chance to continue studies in California," he told *Investor.ge*.

"The fact that students will get double degrees means that their career growth will not be limited to the Georgian job market alone. And above all, in order to push the Georgian economy forward, we need to develop a knowledge-based economy, an innovative economy, which requires a proper workforce."

TUITION COSTS AT SDSU IN TBILISI

To study at SDSU Georgia, Georgian citizens have to pay a tuition fee of about $7,500, less than half of the cost they would pay in California. A large fraction of the accepted students at SDSU Georgia are supported with scholarships covering some part of the tuition cost. Those from socially vulnerable families received full financing.

"In the future, we anticipate that the funds available for scholarships will go down, at least from that source [funds left as part of the previous compact]. On the other hand, we are now talking to some private companies and individuals in Georgia who have expressed interest in funding some scholarships, which is a kind of new culture," Walsh said.

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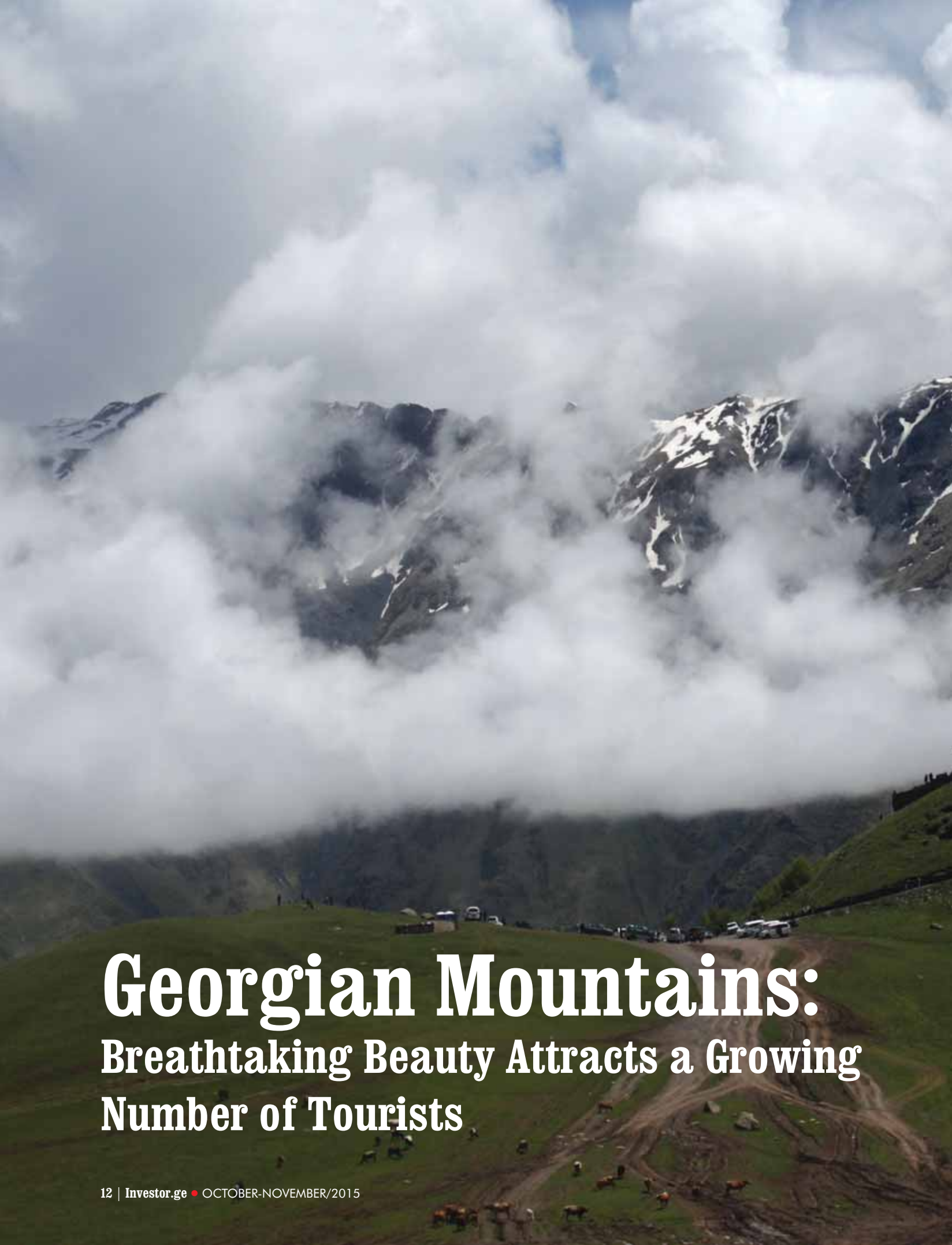

Georgian Mountains:

Breathtaking Beauty Attracts a Growing Number of Tourists

TO TRULY EXPERIENCE GEORGIA, YOU HAVE TO SEE THE MOUNTAINS. TOUR OPERATORS AND THE GOVERNMENT ARE WORKING TO MAKE MOUNTAIN RESORTS ATTRACTIVE, ACCESSIBLE AND SAFE.

PHOTO BY JOSEPH LARSEN

Kazbegi

Having Fun and Staying Safe in Georgia's Majestic Mountains

ICONIC RUSSIAN POET ALEXANDER PUSHKIN ONCE CALLED GEORGIA "THE FABULOUS LAND." IT'S DIFFICULT TO ARGUE WITH HIM. THE CAUCASUS MOUNTAINS TRAVERSING GEORGIA'S NORTH ARE HIGHER THAN THE ALPS, AND THE VILLAGES DOTTING THEM FEEL UNTOUCHED BY TIME. THE MOUNTAINS' CLOSE PROXIMITY TO BOTH TBILISI AND THE BLACK SEA MEAN TOURISTS CAN HIKE, CLIMB AND SWIM ALL ON THE SAME DAY.

JOSEPH LARSEN

Georgia's charms are no longer a secret. More than five million foreign tourists visited Georgia in 2014, and by the midpoint of 2015, year-on-year arrivals were up 3 percent. A large chunk of these tourists come for the mountainous regions of Svaneti, Kazbegi and Khevsureti, among others.

Svaneti is the most wild of Georgia's alpine regions. The "land of the Svans" is still largely isolated, even though infrastructure is much improved and visitors (fortunately) no longer run into marauding bandits. Its best-kept-secret status helps keep its natural beauty pristine and its local culture distinct. "Getting off the beaten track is very rewarding," said Tony Hanmer, a Canadian who owns and operates a guest house in Iskari. "Every village has its own churches, its own treasures, its own hiking trails."

The region's most iconic attractions are the Svan Towers, stone structures built during the 9th through 12th centuries to defend the area against Byzantine and other invaders. Then there's the view of nearby Shkara Peak, Svaneti's most impressive natural attraction and Georgia's highest mountain, at 5,193 meters above sea level. "Svaneti has the most dramatic scenery in Georgia," said Richard DeLong, an avid hiker who has lived in Georgia since 2011. The region is also peppered with bucolic villages, the most famous being Ushguli. At roughly 2,200 meters, it is the highest permanently-inhabited settlement in Europe.

Georgia's immutable beauty refuses to fade as you travel eastward toward Kazbegi, the country's most popular mountain destination. This area is less rustic but more accessible than Svaneti. Located just a three-hour car ride from Tbilisi, visitors can camp on the slopes, rent a guesthouse (and gorge on *khinkali*)

in the town of Stepantsminda, or book an accommodation at the Rooms Hotel Kazbegi, one of Georgia's most state-of-the-art hotels.

"Kazbegi is the number-one destination," saidRamaz Gokhelashvili, a team leader in the Tbilisi office of Hamburg-based GFA Consulting Group. An authority on Georgia's protected areas, Gokhelashvili touts the accessibility of Kazbegi both in terms of infrastructure and the landscape itself. This has helped it attract enterprising trekkers as well as those coming through travel agencies. "Always, in such package trips, mountain tours are included," he added.

Views of Mount Kazbegi and the hilltop Gergeti Trinity Church are breathtaking. The area is also tailor-made for climbers and hikers. Anano Arabuli is a tour guide at nearby Zeta Camp, which hosts travelers and organizes tours from Kazbegi to nearby Khevsureti. She says the area has become popular for domestic and international trekkers. "This year there have been more guests from Georgia as well as from Poland, Germany and Israel," she commented.

The best part? Georgia's alpine tourism industry still has tremendous room for growth.

Georgia's mountains are the engine that drives much of its burgeoning tourism industry. But visitors should remember that exuberance shouldn't become irrational. Infrastructure, amenities and law enforcement have improved immensely over the past 15 years – "the bandit days are over," remarked Hanmer – but precautions should still be taken.

The first rule to follow? Know where you are at all times. Georgia's mountain trails aren't always adequately marked, and weather can be unpredictable at high altitudes. Earlier this year, two Austrian ▸▸

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Bakhmaro village

tourists were found dead at 4,900 meters above sea level near Kazbegi. Local authorities presumed that the two had strayed from the trail and gotten lost.

Tragic incidents like this happen from time to time, but the silver lining is that they can be easily avoided. Hiring a local guide is prudent and surprisingly affordable (a guide can often be hired for as little as 20 lari per day). This is especially important in Svaneti, where weather is capricious and roads still have a long ways to go toward meeting international standards. At the very least, tourists should make their whereabouts known. Sharing the day's hiking plans with your host before setting off is a good idea.

Visitors should also beware of free-running dogs. "Always have a walking stick with you," Hanmer advises. And while the vast majority of canine fellow travelers are harmless, some carry diseases. Tourists are advised to carry a first aid kit at all times, and if rabies seems like a possibility, they should be prepared to head back to town for medical treatment. Georgian hospitality means drivers can often be hailed free of charge.

More than five million foreign tourists visited Georgia in 2014, and by the midpoint of 2015, year-on-year arrivals were up 3 percent.

There's a lot to like when traveling in Georgia's mountainous areas. And the things to look out for are, in the words of Hanmer, nothing more than "the usual precautions you want to take in a far-off mountain region." The best part? Georgia's alpine tourism industry still has tremendous room for growth.

Only four percent of Georgia's tourism arrivals during the first half of 2015 came from the European Union. Given the stellar reputation this mountain republic is building and the fast-growing numbers of arrivals from Poland and Germany, that number should rise steadily in the coming years. According to DeLong, domestic and international tourists have plenty to look forward to: "Each region of Georgia is good for different times of year and for different things."

Svaneti Prepares for Over 4,000 Skiers at Tetnuldi Resort

A TWO-YEAR DEVELOPMENT PROJECT IN GEORGIA'S WESTERN, MOUNTAINOUS REGION OF SVANETI IS PAVING THE WAY FOR THE GOVERNMENT-BUILT TETNULDI RESORT TO RECEIVE THOUSANDS OF TOURISTS ALL YEAR ROUND.

LIKA JORJOLIANI

The Georgian government, together with assistance from France, is unveiling a new ski resort in Georgia's western Svaneti district.

The resort, Tetnuldi, is a multi-phase project; the first stage is slated to open in December.

4,500 HECTARES OF SKIING

Once completed, the new resort will include the longest and largest vertical drop ski run in the country (9.6 km and 1.7 km respectfully) and five ropeways – three of which are scheduled to open in the first stage of the development.

The total resort area is huge – 7,000 hectares – with 4,500 hectares planned for skiing.

FRENCH EXPERTISE

The development, which is projected to cost the Georgian government 40 million lari ($16.7 million) and the French government 18 million euros ($20.1 million), aims to create a mountain resort that will attract visitors all year round, noted Uka Kiladze, the director of Tetnuldi Development Company.

French specialists are tackling major safety issues, particularly the issue of designing the resort with sufficient snowfall in mind, and preparing for avalanche hazards along the slopes.

There are also plans to help villages prepare for tourists by providing vouchers for hotels and year-round activities like horseback riding, hiking and parachuting, Kiladze said.

"In the winter period, tourism to Mestia is actually stopped, and the village of Mulakhi lacks the necessary infrastructure to attract tourists," he said, noting that work on guest houses is underway in both Mestia and Mulakhi now although it is unlikely there will be "active development of a network of hotels" this year.

"By next year, a high rate of development is expected," he said.

Kiladze added that last year, Mestia alone added 200 rooms for guests. "A special commission has been created in cooperation with the Ministry of Economy, which is actively working on the next plan of development for the resort," he said.

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10 Years in Georgia

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Prime Minister Irakli Gharibashvili speaking at the EBRD Annual Meeting and Business Forum 2015

Georgia's Economy Running on MICE and FDI

AN ALPHABET SOUP OF INVESTMENT IS KEY TO A STRONG ECONOMY: BOTH THE GOVERNMENT AND THE PRIVATE SECTOR ARE WORKING HARD TO ATTRACT FOREIGN DIRECT INVESTMENT IN ALL SECTORS, INCLUDING HIGH-VALUE TOURISM LIKE MEETINGS, INCENTIVES, CONVENTIONS AND EXHIBITIONS (MICE).

KPMG: Chemical Industry Ripe for Investment

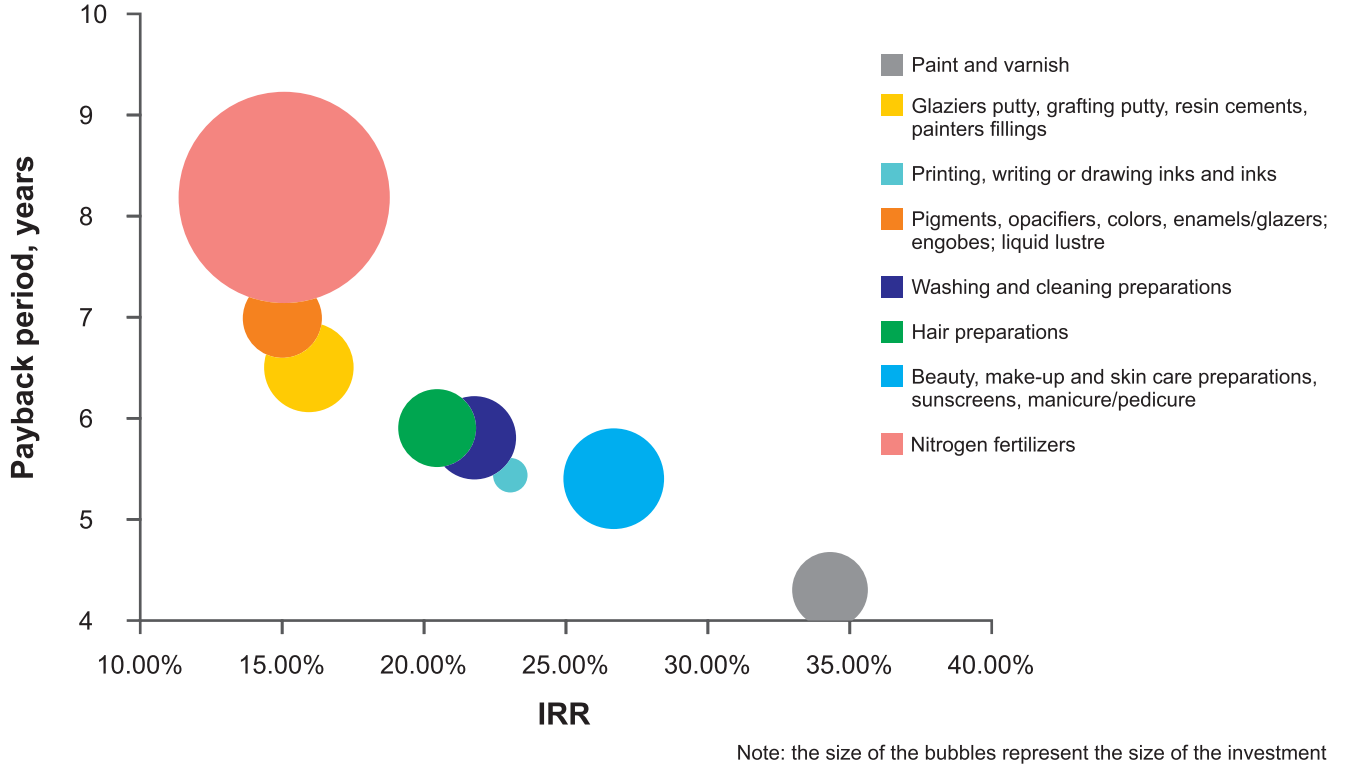
FOLLOWING THE SIGNING OF THE DEEP AND COMPREHENSIVE FREE TRADE AGREEMENT WITH THE EUROPEAN UNION, THE GEORGIAN GOVERNMENT IS LOOKING FOR OPPORTUNITIES TO DEVELOP THE COUNTRY'S EXPORT POTENTIAL, AS WELL AS CONSTANTLY AIMING AT BRINGING MORE FOREIGN DIRECT INVESTMENT TO THE COUNTRY.
THE GEORGIAN NATIONAL INVESTMENT AGENCY COMMISSIONED KPMG TO STUDY THE INVESTMENT POTENTIAL OF THE CHEMICALS SECTOR IN GEORGIA AND TO IDENTIFY THE MOST INVESTMENT-ATTRACTIVE SEGMENTS OF THE CHEMICAL INDUSTRY WHERE PRODUCTION AND EXPORT OF CHEMICALS TO NEIGHBORING COUNTRIES, THE CIS AND/OR EUROPE HAS A GOOD POTENTIAL.

STRATEGIC ASSETS

Georgia's strategic location is an asset to any investor. As a bridge between Europe and Asia, Georgia offers direct access to European, Gulf Cooperation Council and CIS markets. Its three major oil and gas pipelines, Black Sea ports, and well-developed railway systems, together with its airports, are playing an increasingly important role in linking the East and West. In addition, Georgia has low tariffs and streamlined border-clearance procedures. With a range of free trade agreements, Georgia has access to a 900 million customer market that is not subject to customs tariffs, including Turkey, the CIS and EU countries.

There are several business factors that make Georgia an ideal location for chemical factories, including low labor and electricity costs. The highest tariff

Financial analysis, chemical sub-sectors in Georgia



Note: the size of the bubbles represent the size of the investment

for industrial consumers for one KWh of energy in Georgia in 2014 was around USD 0.045, which is lower than in neighboring countries (35% lower than in Armenia, 52% lower than in Turkey and 21% lower than in Azerbaijan). Labor costs in the manufacturing industry are also low, amounting to an average of USD 410 a month.

A NEWAREA FOR INVESTMENT

The four-month study, which looked at the Georgian market, as well as trends in the wider regional market, identified eight subsectors that match the investment climate and business conditions in Georgia:

1. Paint and Varnish
2. Glaziers' putty, grafting putty, resin cements, painters' fillings
3. Printing, writing or drawing inks
4. Pigments, opacifiers (to make material opaque), colors; enamels and glazes; engobes (slip coating); liquid lustre
5. Washing and cleaning preparations
6. Hair preparations
7. Beauty, make-up and skin care preparations, sunscreens, manicure and pedicure
8. Nitrogen fertilizers

ROOM FOR LARGE AND SMALL INVESTORS

Investment proposals were prepared for each of the identified subsectors, including identification of optimal capacity of the relevant sector of productionin-Georgia; required level of investment; and a limited SWOT analysis and financial calculations.

These investment proposals are available on the website of the Georgian National Investment Agency.

All financial calculations showed a positive net present value, an internal rate of return in the range of 15-35% depending on the sector and a payback period of 4-8 years. The financial feasibility study showed that there are new sectors for investment in Georgia with good potential and high feasibility. Moreover, the required investment proved to be different per sector (ranging from USD 4 million to USD 140 million) meaning that there is room for both large-and small-scale investors to start production in Georgia.

With the exception of nitrogen fertilizers, which are expected to require around three years for plant construction, the respective subsectors are expected to take around a year to start production.

Potential challenges for investors in chemical plants in Georgia include the lack of raw materials needed for production in Georgia. They can, however, be imported from neighboring countries. Another challenge is the lack of a specialized workforce, as there are few Georgians with experience in certain specific chemical sector, for example paints and varnishes.

The main advantages for investors are persuasive, however: the relatively stable macroeconomic environment, favorable taxation regime (including free industrial zones in Poti and Kutaisi, in which businesses are exempted from all taxation, except the personal income tax) and other government incentives, as well as easy access to the entire Caucasus market as well as the European market.

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Chinese Investment in Georgia: The Start of a Beautiful Friendship?

TRADE AND INVESTMENT TIES BETWEEN CHINA AND GEORGIA ARE GROWING, BASED ON GEORGIA'S STRATEGIC LOCATION AND ITS ATTRACTIVE TRADE DEAL WITH EUROPE.

MONICA ELLENA

The barren road connecting decaying Soviet-era apartment blocks to the vast reservoir of the Tbilisi Sea is shimmering in the late summer heat. The Olympic Village no longer hosts the 3,800 athletes that competed in the European Youth Olympic Festival (EYOF) in late July, but while the village's nine apartment blocks are now completed, hundreds of Chinese and Georgian workers are still at work, hammering atop metres of scaffoldings.

The soon-to-be Tbilisi Plaza is, along with the former Olympic village, part of a gargantuan project that a private Chinese company, Hualing, is developing: Tbilisi Sea New City, an integrated residential and commercial space spanning over 2 million square meters of land. The almost-completed first phase features 27 residential buildings, a five-star hotel, and a retail area for a total investment worth $181 million (€161 million).

Based in the northwestern Chinese city of Urumqi, Hualing started investing in Georgia in 2007 and is to date the country's largest single investor. By the end of 2014, it poured in $500 million, creating about 3,000 new jobs and expanding its interests from wood harvesting and mining to high-end hospitality. In 2012, it bought a controlling stake in BasisBank and is negotiating to acquire another Georgian bank. It is also developing a $40 million Free Industrial Zone (FIZ) in Kutaisi.

The scale of Hualing's investment is unparalleled, but the world's largest economy has clearly set eyes on Georgia – the boon being Georgia's strategic location and privileged relations with the EU.

MADE IN GEORGIA

For hundreds of years, Georgia played a key role in the old Silk Road as a gateway between Europe and Asia. Today, the Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU is unlocking new potentialfor Chinese companies. As Liu Bo, Trade and Commercial Attaché at the Chinese Embassy, explains, "If a Chinese company […] sets up a production line in the FIZ, it can put the label 'Produced in Georgia' onto its goods and can export to EU without customs [tariffs]. That's a great advantage for investors."

Indeed, construction and manufacturing (including food processing), as well as distribution, are the sectors that Simon Appleby, an Australian citizen and permanent resident of Hong Kong who heads the Georgian agribusiness company YFN, sees as the most attractive for Chinese investors.

Dignitaries' visits have intensifiedover the last year. In September, Prime Minister Irakli Gharibashvili led a high-profile delegation to Beijing confirming his July statement that "Georgia is not just looking West."

In 2014, China was Georgia's fourth-largest trading partner.

The total of $823 million in Georgian-Chinese trade accounted for 7.2% of Georgia's total trade turnover of $11.4 billion. Imports still outpace exports, but exports are increasing: last year, exports to China grew by 2% to $90.3 million, accounting for 3.2% of Georgia's total $2.8 billion in exports.

China was Georgia's third-largest provider of FDI, investing $195 million. China was also the fifth-largest export market for Georgian wine in the first half of 2015: eyeing the potential for growth, the Georgian Wine Agency employs a permanent representative stationed in Beijing.

Low taxes, easy business registration, and low levels of corruption are listed as the main reasons for Georgia's attractive-

ness to the 22 medium and large Chinese companies registered in Georgia, which do business along with scores of small family-run enterprises crowding the Lilo wholesale market on the outskirts of the capital.

Chinese investment looks set to grow further. In March, the two countries signed a Memorandum of Understanding regarding cooperation in the framework of the $40 billion Silk Road Economic Belt project that China initiated in 2013 and also agreed to start examining the feasibility of a bilateral free-trade agreement.

According to a study by Tbilisi-based Policy and Management Consulting Group (PMCG) and China's University of International Business and Economics, a FTA would boost Georgia's annual exports to China by 9% and China's by 1.7%. Potentially, the key Chinese investment lies on the Black Sea coast, in Anaklia, where plans to build a large, deep-water harbor are underway. One of the seven bidders, Power China, aims to invest up to $5 billion – a huge amount given the size of Georgia's economy. Anaklia could help to diversify land routes for Chinese goods to Europe, most of which currently run through Russia.

In addition, Georgia is also among the founding members of the China-led Asian Infrastructure Investment Bank (AIIB), a newly established financial institution with an initial authorized capitalizationof $50 billion. In August, Tbilisi hosted the first high-profile meeting of the AIIB that resulted in appointment of the AIIB's first president.

VISA WORRIES

Not all is going smoothly, though. Changes to the visa regime in September 2014 made life more difficult for Chinese entrepreneurs. Jinlong Gao, a 40-year-old from Guangdong province, owns three stone quarries and employs 50 people – 80% of whom are Georgians.

"Visas are problematic. We routinely had specialized engineers coming to train our staff on how to use gravel-processing machinery; now it has become difficult," adds Gao, whose wife and 3-year-old twins are now in China due to visa problems.

In September, the Chinese Ambassador to Georgia, Yue Bin, said in an interview with the daily Rezonansi that "China is ready for a visa-free travel regime with Georgia."

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Meet Crowdfunding, Georgia's Newest Angel Investor

CROWDFUNDING IS GAINING POPULARITY IN GEORGIA, TAKING THE PLACE OF AD HOC CAMPAIGNS TO RAISE EMERGENCY ASSISTANCE.

JOSEPH LARSEN

Georgia is well known for its dynamic economy. This year, Georgia ranked fifteenth in the World Bank's "Ease of Doing Business" survey, receiving high marks for minimal bureaucracy, business-friendly procedures and easy access to credit. It has also become a popular base for writers, artists, IT professionals and entrepreneurs, with a friendly atmosphere, low living costs and simple immigration procedures getting a lot of credit.

The burgeoning country is more than a hotbed for traditional business models, however. It has also hosted a large number of crowdfunding campaigns. Defined by scholars David M. Freedman and Matthew R. Nutting as "a method of collecting many small contributions by means of an online funding platform," crowdfunding has become a popular and relatively easy way to raise money ▸▸

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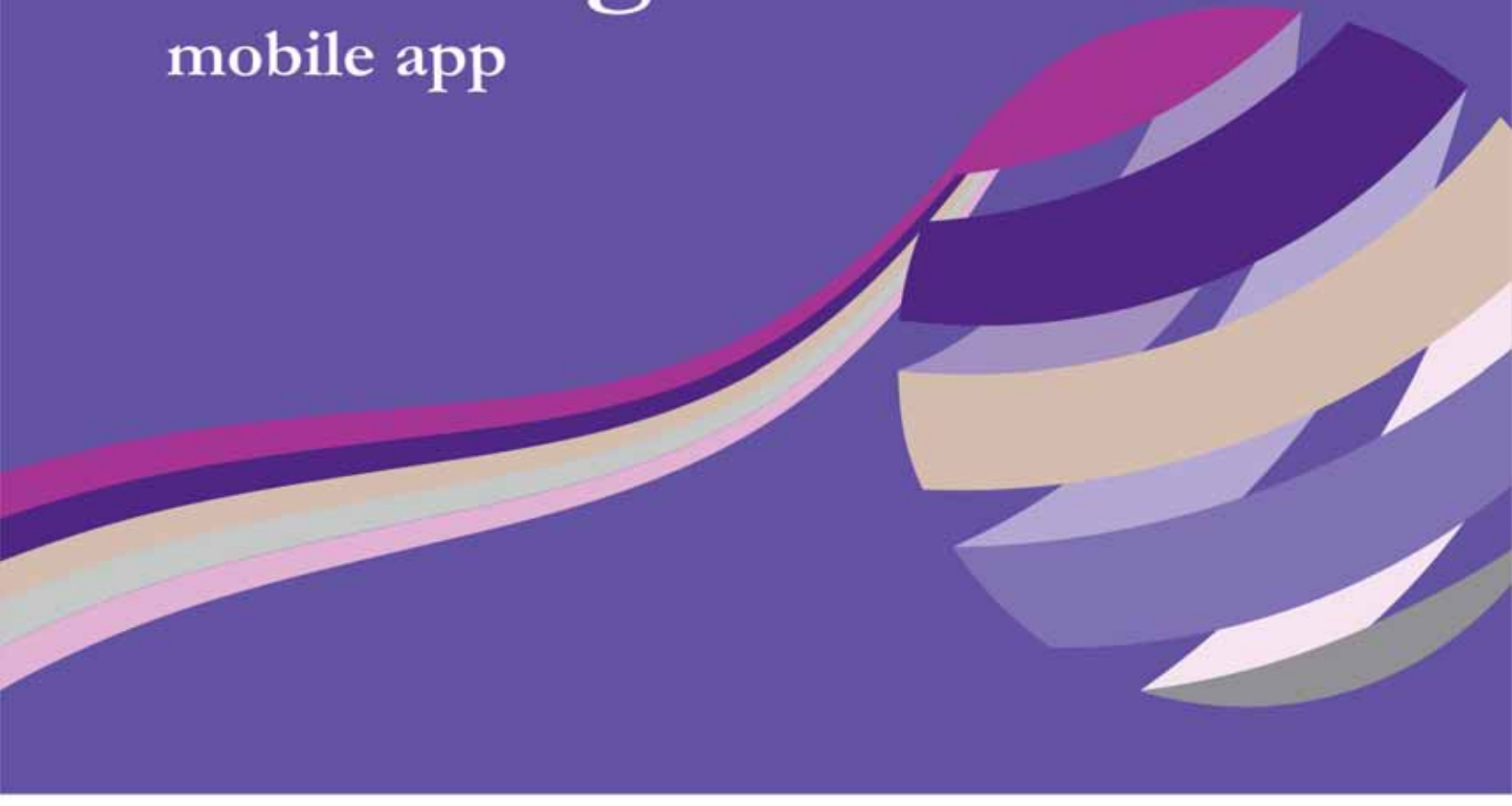

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Georgian charities like American Friends of Georgia have traditionally depended on galas and auctions to raise funds to help the vulnerable

for everything from medical procedures to magazine launches to disaster relief.

$8.3 MILLION RAISED FOR FLOOD VICTIMS

Popular platforms – websites which host the initiatives in exhange for a cut of the proceeds, usually between 4 and 10 percent – include Kickstarter, Indiegogo and GoFundMe, among others. Each site has its own niche. Kickstarter is the biggest name but hosts only all-or-nothing campaigns, meaning that the bank accounts of contributors are not charged unless a predetermined funding target is reached. Indiegogo also offers flexible -funding campaigns that allow recipients to keep any amount raised. GoFundMe is known for donation-based crowdfunding; contributors receive only the happiness of knowing their money went for a worthy cause.

Research and advisory firm Massolution projects that the crowdfunding industry will raise $34.4 billion worldwide in 2015. That would represent a more than five-fold increase from just two years ago, when when the industry raised roughly $6.1 billion.

A modest but growing chunk of that money is being funneled into Georgia-based initiatives.

A watershed moment in Georgia's short crowdfunding history came after the June 13-14 flooding, which resulted in the deaths of 19 people and the destruction of more than 105 homes. Roughly $8.3 million in relief funding was raised from private donors, and of that, a significant proportion was raised by a single crowdfunding campaign.

A watershed moment in Georgia's short crowdfunding history came after the June 13-14 flooding, which resulted in the deaths of 19 people and the destruction of more than 105 homes.

Tbilisi native Maka Meshveliani launched the "Help Tbilisi Recover from Flooding Campaign" on June 15, just a day after the flooding. "I created it in half an hour," she told *Investor.ge*. With-

The flood of foreign finance flowing into Georgia's crowdfunding iniatives is yet to be matched by large domestic contributions, however.

in a month, the campaign had raised nearly $79,970 from 802 individual donors. Meshveliani was impressed by the simplicity of launching the campaign (she used Indiegogo's flex-funding option) as well as its success. "I never thought we would get to $10,000. I just wanted to create a platform for people to help the country."

The largest single donation came from the UK-based rock group Placebo, which contributed $39,974 (the band put up its entire honorarium for playing at July's Tbilisi Open Air music festival). The money raised by Meshveliani's campaign will go toward psychiatric therapy for children affected by the flooding.

Crowdfunding campaigns have also been successful in helping get non-profit and artistic initiatives off the ground. This August, Kiwi Café – Tbilisi's first not-for-profit vegan restaurant – opened after raising $1,760 from a flexible-funding campaign on Indiegogo. The project's founders used crowdfunding to supplement income received from other sources, so that they were able to launch despite missing their target of $4,000.

At the time of writing, archival project Tbilisi In/Sights was in the middle of a €1,900 all-or-nothing campaign via KissKissBankBank. Tbilisi In/Sights is an "informal archives" project – project leader Katharina Stadler told *Investor.ge* that it aims to "look at Tbilisi over the past 100 years through the eyes of the people who live and work here" – and had attained more than half its target through a rewards-based campaign. Contributors will receive a gift from the organization in proportion to the sum contributed.

MORE POPULAR WITH DONORS ABROAD

Georgia's economic dynamics make it a logical destination for international crowdfunding dollars. The low cost of labor and other production inputs mean a few thousand dollars or euros can make a big difference. "One hundred pounds goes a lot further in Tbilisi than it would in Bristol," says Tbilisi-based journalist Onnik James Krikorian. What's more, major crowdfunding platforms now disburse funds to Georgian banks, meaning that campaigners can receive funds faster and with less hassle than in the past.

The flood of foreign finance flowing into Georgia's crowdfunding iniatives is yet to be matched by large domestic contributions, however. For example, of the $79,970 raised by the "Help Tbilisi Recover from Flooding Campaign," only $5,587 came from within Georgia. And Stadler estimated that only €30-40 of the more than €1,000 raised by Tbilisi In/Sights came from domestic contributions. Part of this gap is a lack of awareness – and a lack of disposable income – on the part of many Georgians. "The concept of crowdfunding has not really found its place [in Georgia]," Stadler said.

Krikorian, for one, sees potential in the domestic market. "Georgians are natural for crowdfunding," he commented, pointing to the fact that informal fundraising projects can be seen all over Tbilisi. Given the dynamism of Georgia's social and business atmosphere, it's not difficult to be optimistic about crowdfunding initiatives in the country, both for campaigns with a local focus and those designed to attract international donors. As Krikorian put it, "all it takes is an idea and the ability to communicate."

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Tapping into the Business End of Tourism: Georgia plans for a Convention Bureau

GEORGIA, ESPECIALLY THE CAPITAL TBILISI, IS HOSTING AN INCREASING NUMBER OF INTERNATIONAL EVENTS, FROM THE ANNUAL PHOTO FESTIVALS AND FASHION SHOW TO THE EUROPEAN BANK OF DEVELOPMENT AND RECONSTRUCTION'S CONFERENCE. THE GEORGIAN NATIONAL TOURISM AGENCY (GNTA), WITH THE HELP OF AMCHAM, IS WORKING ON CREATING A CONVENTION BUREAU TO HELP MAXIMIZE ON GEORGIA'S GREAT POTENTIAL AS A MEETINGS, INCENTIVES, CONVENTIONS AND EXHIBITIONS (MICE) DESTINATION.

From bankers to fashion mavens, Georgia is increasingly earning a reputation for a destination for international events.

This month, Tbilisi is hosting, among other things, an international modern art festival, the annual Tbilisi Fashion Show, the Miss China Chinese Cosmos Pageant and a theater festival. ▸▸

The semi-final of Miss Chinese Cosmos Pageant 2015 was held in Tbilisi

The footage taken in Georgia will be shown to Chinese Phoenix TV's 250 million-audience, according to Georgian media reports.

"COMING OF AGE" FOR MEETINGS TOURISM

This type of tourism – known as meetings, incentives, conventions and exhibitions (MICE) – has "come of age," according to Taleb Rifai, the Secretary-General of the World Tourism Organization (UNWTO).

Writing in the report for MICE tourism in 2014, Rifai noted that "the Meetings Industry provides immense benefits to the broader economy as it generates on average a higher spending level, reduces seasonality, contributes to the regeneration of destinations, spreads knowledge and enhances innovation and creativity."

The report notes several "positive" aspects of MICE tourism for local economies, including:

- Meetings are big business in their own right, and play an important role in supporting other businesses.
- Meetings promote investment, trade, communications, and technology.
- Meetings bring education and professional development to the local community, creating jobs and retaining work forces.
- It is a "clean" industry and promotes environmental quality.
- Meetings promote and support other business sectors.
- Meetings represent the "high end" of visitor spending.
- Meetings attract global expertise.
- Meetings create and spread knowledge worldwide.
- Meetings build community profile.
- Meetings promote global understanding and cooperation.

The Georgian government is eager to tap into that trend, TornikeZirakashvili, the Head of the International Relations Department at the Georgian National Tourism Agency (GNTA), told *Investor.ge*.

"Considering Georgia's unique geographic location, rich culture and traditions, delicious cuisine and modern infrastructure, we strongly believe that the country has tremendous potential for development of MICE tourism, and this has become one of the major undertakings of the Georgian National Tourism Administration this year," he said in an e-mail.

"Business and professional travelers account for roughly 4 percent of total arrivals to Georgia (according to the latest survey to date); this includes individuals and group visitors (attending forums, conferences and other events). But what we have to take into account is that business visitors are part of a higher spending segment, and thus, their average expenditure per visit is considerably more than that of other travelers," Zirakashvili added.

Tbilisi alone has attracted major ▸▸

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The Tbilisi Fashion Show draws foreign and local designers to the capital twice a year

events over the past several months, including the annual EBRD Conference in May, the European Youth Olympics Festival, Miss China Chinese Cosmos Pageant, the South Caucasus Contemporary Dance Festival, the annual Tbilisi Fashion Show, the annual Tbilisi Photo Festival, and many more.

He said that, to promote MICE tourism to Georgia, the GNTA is planning to establish a convention bureau in Georgia, "which will promote the country's MICE tourism potential throughout the world and attract major events to the country."

6 PERCENT OF GDP

One of the GNTA's partners in the process is AmCham Georgia, in particular the Chamber's Tourism Committee.

"AmCham has been a major supporter of the initiative and assisted the GNTA as a facilitator within various processes, especially in relations with their member organizations," Zirakashvili said, noting that a "focal point" has been cooperation with the general managers of seven prominent hotels: Marriott, Sheraton, Radisson, Holiday Inn, Hilton, Rooms and Betsy's.

Andreas Heidingsfelder, the general manager at the Sheraton Metechi Palace Hotel in Tbilisi, said that establishing a Georgian Convention Bureau will have a "positive effect" on tourism numbers and the Georgian economy.

"AmCham's Tourism Committee is supporting the GNTA to accomplish the development of a Georgian Convention Bureau (GCB). The GCB will make sure that the country is flagged on the worldwide MICE (Meeting, Incentives, Conferences, Events) map," Heidingsfelder said in an e-mail interview.

"Tourism is actually contributing above 6 percent to the Georgian GDP and with the establishment of thethe GCB, it can be increased even further."

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THE LAW ON PROTECTION OF CONSUMER RIGHTS

The Government of Georgia has initiated a new bill on Protection of Consumer Rights. The need for new legislation was triggered by the Association Agreement concluded between Georgia and the European Union. The proposed bill aims at harmonizing the local law with that of the European Union.

The bill regulates the rights of the consumers and corresponding obligations of the businesses. It mainly focuses on the warranty terms and the obligation of the business to provide the consumer with detailed information regarding the product (e.g. name of the product, identity of the producer, the payment and delivery terms, etc.).

The novelty introduced by the bill is a new body in charge of consumer affairs - Consumer Ombudsman, primarily designed to facilitate enforcement of the consumer rights in Georgia.

MAJOR DEVELOPMENTS IN ENERGY SECTOR

HYDROPOWER PROJECTS

Georgia's achievements in energy sector is getting even more impressive as the ongoing energy projects attract more and more investors from various parts of the world.

On 19 March 2015, the state-owned shareholding company Partnership Fund entered into an agreement with Korea Water Resources Corporation (K Water) regarding construction of Nenskra Hydropower Plant in upper Svaneti region, Georgia. Nenskra HPP will be jointly financed by Partnership Fund and K Water. The project is worth $1 billion USD. K Water has already accounced the winner in a tender regarding construction of Nenskra HPP. Some of the world's famous companies were pitching in the tender and eventually the contract was awarded to a prominent Italian company Salini Impregilo S.p.A.

The Nenskra HPP is intended to have an installed capacity of 280MW and will start production from 2019.

In addition, the Ministry of Energy of Georgia has announced expression of interest for construction of several other power plants, such as Ackuri HPP, Dviri HPP, Sakuneti HPP, Khan HPP 7, Akhalkalaki HPP and Mestiachala 1 HPP. The projects will greatly contribute to development of the country's energy sector.

SIGNIFICANT CHANGES IN BANKING SECTOR

In the beginning of September 2015, amendments were introduced to the Organic Law of Georgia on the National Bank. The respective bill was heavily discussed among politicians and financial experts and was subject to great controversy. Pursuant to the amendments, the financial supervision functions were taken away from the National Bank of Georgia (NBG) and were vested with a new supervisory agency under the NBG. However, given that the Supervisory Agency is an independent legal entity of public law, the NBG would no longer have any supervision mechanisms over the agency.

While the opponents of the new law claim that amendments will not only inhibit the NBG from fulfilling its constitutional duties but also expose the entire banking sector to such external threats as undue influence from the Government, proponents argue that the system is based on foreign practice and guaranties efficient and independent supervision of financial sector.

On the other hand, several national, as well as international financial institutions and experts expressed their concern regarding the amendments. They mainly fear that this may adversely affect the stability of Georgian financial system. Criticism also came from the European Central Bank (ECB), which openly supported keeping the supervision function within the NBG.

President of Georgia, Mr. Giorgi Margvelashvili used his veto right to oppose the bill. Nevertheless, the Parliament of Georgia managed to overcome the veto and passed the bill on 3 September 2015. The amendments came into force from 10 September 2015.

NEW AMENDMENTS TO THE LAW OF GEORGIA ON THE LEGAL STATUS OF ALIENS AND STATELESS PERSONS

New amendments to the Law of Georgia on the Legal Status of Aliens and Stateless Persons were enacted on 5 August 2015. The law introduces new types of residence permits, significantly simplifying the procedure for obtaining such permits by foreigners and stateless persons.

According to the amendments, a new D5 type visa will be issued to individuals who own real property within the territory of Georgia (other than agricultural lands) with a market value exceeding USD 35 000 or its equivalent in GEL. The value of such real property is established by valuators certified by Georgian Unified National Accreditation Body - Georgian Accreditation Centre.

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CHECKING ON THE ROAD MAP FOR REFORM OF GEORGIA'S MONEY MARKETS

A 2015 STUDY HAS FOUND THE GEORGIAN ECONOMY COULD BENEFIT FROM DEVELOPING THE CORPORATE BONDS MARKET.

SALLY WHITE

Corporate bonds could provide the impetus for "substantial improvements" to access to money in Georgia, providing alternative financing sources. This was a conclusion of a critical major study- The Georgian Capital Market: Diagnostic Study & Recommendations, initiated by one of Georgia's prime backers, the Asian Development Bank (ADB) and published earlier this year. The corporate sector, including microfinance, has already begun to act on it.

The ADB made it a condition for loans that the government act on it, too. So far this year, the ADB has offered $150 million in loans, the most recent a $75 million tranche to assist government reforms aimed at "increasing savings and domestic resources." While it has announced no moves yet, the government has to deliver on the study's recommendations by next summer.

EYEING THE BOND MARKET

Nor is it just the corporate heavies that have their eye on a bond market for funds. Georgia's very dynamic microfinance sector (MFI) – comprising 73 companies, with 352 branches and showing 20% growth over the last six months – has, too. It has started to explore with other financial players how such a market, catering for a wide category of companies, funds, and domestic and international investors could be initiated. Given microfinance's long reach into Georgia's agriculture and SME sectors, any material increase in the funds available to it could make a huge difference to Georgia's economy.

The ADB highlighted a requirement that there should be "strong focus on building viable content (issued securities) for the system." Markets need something to trade! Bonds have already proven to be popular. Of course, the ADB stricture is that it is vital that all the right rules and regulations, conforming to

international standard, be put in place to protect investors.

Archil Bakuradze, a member of the Board of Directors of Georgia Microfinance Association and Executive Chairman of JSC MFO Crystal, explained such a market's attraction. "MFIs are well positioned to become attractive issuers of bonds with a view to raise capital later down the line. We have already syndicated interest from several industry players. For MFIs, the bond market can become an important refinancing option in parallel with the current alternative, i.e. microfinance investment vehicles internationally and commercial banks at home. Another attraction is that it would provide GEL finance, so critical for our borrowers." The increased dollarization of Georgia's finance has become a severe problem for the country as the dollar has strengthened."

Corporate bonds could provide the impetus for "substantial improvements" to access to money in Georgia, providing alternative financing sources.

He expanded on his views: "MFIs see the bond market as a strategic alternative for refinancing. The intent is, of course, to keep the relationship with microfinance investment vehicles (MIVs) and commercial banks, but it is important to diversify the funding sources.

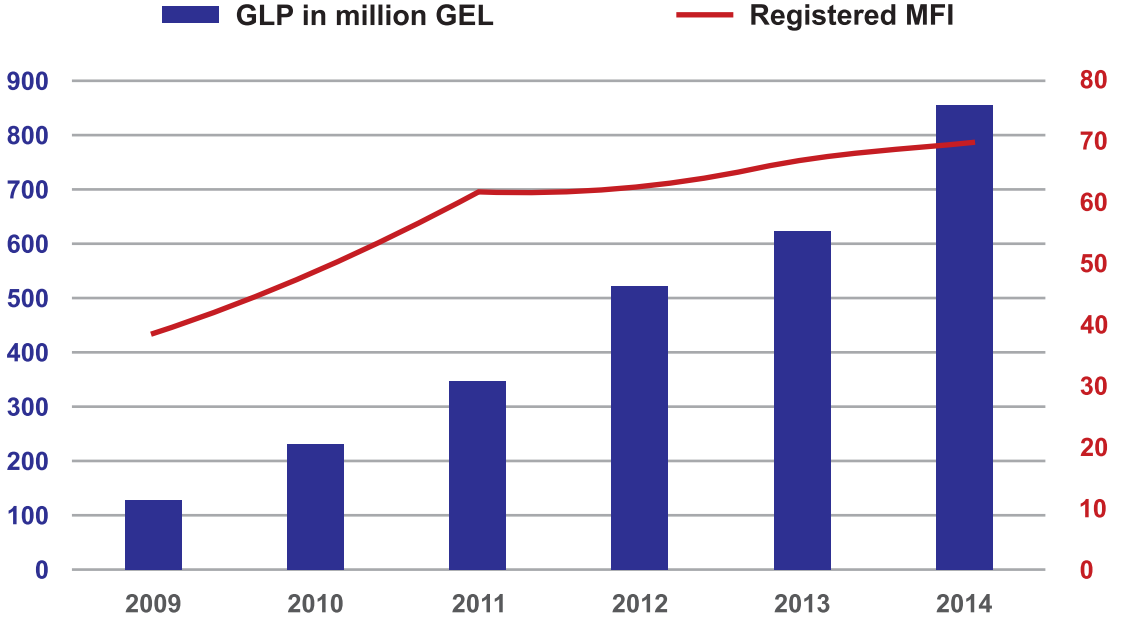
"Bonds will offer more access to GEL funding, which is critical for MFIs and their clients. Bond issuances will increase the awareness of MFI among investors, including the general public. At the moment, we are more interested in domestic investors, who would invest GEL, but in the future, foreign currency tranches can be structured to attract more portfolio investment to the sector."

"A corporate bond market will offer a new type of funding to firms and new financial instruments to Georgian investors, big and small," Bakuradze said.

An efficient and well regulated corporate bond market (which, of course, will require new rules and market procedures) would have a big ripple effect on Georgia's corporate life. He added that, in his view: "This movement will motivate companies to improve their disclosure standards and become more open enterprises. This market will offer to companies an alternative to quite rigid bank lending practices, which are overwhelmingly based on real estate guarantees. More Georgians will participate in economic life, investing their interest with Georgian corporations, which will encourage savings and investments much needed by customers and crucial for fuelling Georgia's economic growth."

Usually bonds are less flexible than loans, according to bankers, but as an alternative source of funding, bonds ▸▸

Growth of Microfinance Institutions (MFIs) and Gross Loan Portfolio (GLP)



Source: National Bank of Georgia statistics

may not require collateral and could be slightly less expensive.

Conditions are becoming more auspicious for bonds. Pricing has become more competitive, and the leading rating agency, Fitch, has already had a meeting with some of the large companies. It seems to have made attractive offers on fees. In the study, the companies were described as being "enthusiastic about the idea of placing local bonds."

> "MFIs are well positioned to become attractive issuers of bonds with a view to raise capital later down the line."

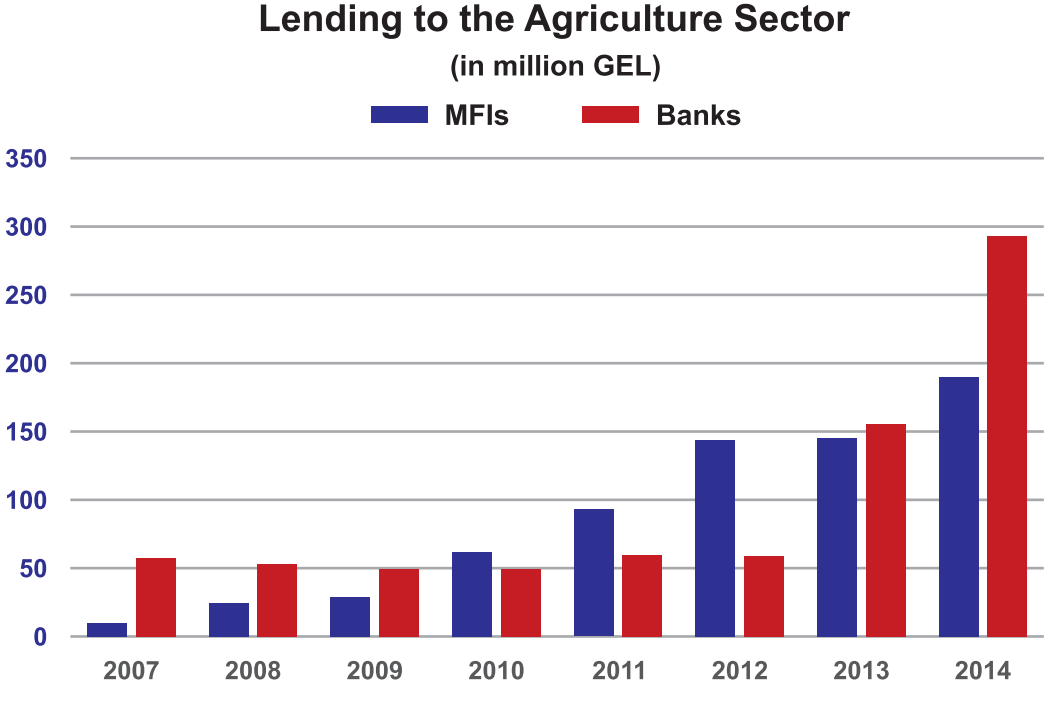
SIX OFFERINGS IN 15 MONTHS

As evidence of potential for a bond market, there were six successful offerings of corporate securities between January of last year and the end of March this year and they totalled around $50 million. There has also been an increase in the financing activity of the international financial institutions (IFIs) – ADB, the European Bank for Reconstruction and Development (EBRD) and the World Bank's International Finance Corporation (IFC), mostly in lari. These IFIs made their placings privately, but the corporate bond sales, though in dollars, were mostly public ones.

A recommendation of the study is that the IFIs as well as major corporations should use the market more. Also, it says, issues should be in lari to help reduce the dollarization of the economy.

The study, which is more than a touch bank-centric, sees quite a large candidate community of major players for a corporate bond market– firstly, it names the banks, then state-owned companies and at least five of the microfinance organizations. It sees the insurance funds and pension funds as unlikely candidates – at least at this stage. Others might disagree, and it will also depend on the size of acceptable issues. Anyway, as the study comments "Georgia does not know – and under the current system cannot know – the financial make-up of the JSC population."

The background is the struggling economy, as Georgia faces challenges that include falling fund inflows. This is partially because remittances from Georgians abroad in Russia and Ukraine are down, but foreign investment and export growth are also threatened by global uncertainty. The government has not chosen to support or develop the stock market (which now barely exists) as a source for funding and monitoring of the economy. However, as noted by the IMF, EBRD, World Bank and ADB, the international model is increasingly for developing countries



Source: National Bank of Georgia statistics

to do so.

Any government role in the development of the market should be clearly defined, as a means of warding off over involvement.

The structure of the Georgian stock exchange has encouraged issuers in recent years to raise funds off-market and also to do so abroad.

There is a long way to go yet to get to the end of the "road-map" set out in the study. Laws and regulations protecting investors, putting exchange trading on an international basis (with information all in English), increasing transparency, leveling the taxation playing field, freeing up the market and attracting more issuers as well as investors, and so on – all and more are needed. The study found that Georgia "possesses all of the required ingredients to operate a healthy capital market. Bakuradze concludes that the government's socio-economic development strategy 2020 "is all about inclusive economic growth." At the moment, non-banks represent only about 7 percent of the Georgian financial market. Perhaps not surprisingly as he is pointing out from his end of the capital markets, funding from a healthy bond market would enable microfinance to be a more powerful driver for small entrepreneurs' participation.

The Working Group for the ADB study was chaired by the Vice Prime Minister and Minister of Economy and Sustainable Development, the President of the National Bank of Georgia, the Minister of Finance, the Secretary of the Prime Minister's Economic Council and a former Chairman of the National Securities Commission of Georgia. The study was published in May as a Discussion Draft after being commission last September, and it was supported by USAID under its Governing for Growth in Georgia project.

Georgia's Microfinance Sector – important enough to be a potential key player in Georgian capital market reforms:

In Q2 2015, 73 Micro Finance Institutions (MFS) were registered at the National Bank of Georgia. They employed total 4,729 members spread through 352 branches. Member numbers rose by 15 percent and branch numbers by 20 percent in this period.

The gross loan portfolio was 1.1 bn GEL, which was 30 per cent higher than at the end of 2014. During the same period, the loan loss reserve grew by 94 per cent, which indicates deterioration of assets quality. According to the Microfinance Association, however, Georgia has been affected much less by regional crisis in comparison to its neighbours.

Around 51 per cent of the funding to MFIs comes from international microfinance investors. Of the rest, 24 percent comes from Georgian commercial banks, 21 percent through loans from individuals and 5 percent from legal entities. The attractiveness of micro-finance to SMEs is that, according to Archil Bukaradze, a member of the Board of Directors of Georgia Microfinance Association, many specialist MFIs do not demand personal guarantees for loans. They offer non-collateralized loans. Banks, however, often do demand collateral.

Before the government's use of banks to disperse subsidies to agriculture, MFIs were the largest source of financing for Georgian farmers. While agro-financing is still an important area, it is now only accounts for around 25 percent of their loans.

MFIs are not allowed to take deposits and cannot benefit from Central Bank refinancing instruments right now, Bakuradze points out. Thus MFIs are hoping that the Georgian bond market will help them diversify funding sources and gain access to lari funds.

When analysed in May this year, the return on microfinance assets was "a reasonable 4-6 percent on average and comparable to that of commercial banks," he comments. The quality of microfinance assets "has been consistently good (impaired assets are usually within 2 percent). These are signs of a sound and competitive market with – by and large – well governed and responsible institutions." His conclusion is that they should be welcome members of any bond market.

Importantly, another reason for increasing the ability of microfinance groups to lend, he points out, is that "more than half a million Georgians are regular users of a payday loans, which is completely beyond financial regulation."

Rhea's Squirrels facebook page

Rhea's Squirrels: Breaking Bread and Breaking Stereotypes

A SMALL CAFE NEAR THE TBILISI FUNICULAR AT THE FOOT OF MTATSMINDA MOUNTAIN IN TBILISI, RHEA'S SQUIRRELS, IS BREAKING NEW GROUND BY TACKLING STEREOTYPES AND HIRING EMPLOYEES WITH DISABILITIES.

TATJANA MONTIK

For years, adults and young people with social disabilities have faced stigma in Georgia. They, and their families, suffer from a lack of access to facilities and opportunities for education and employment.

But today, organizations like Rhea Union's Integration Center, as well as other non-government programs and international donor projects, are working to create an inclusive society for all Georgians.

"CREATING OPPORTUNITIES OURSELVES"

Four staff members working at Rhea's Squirrels are women with mental disabilities. A charming middle-aged waitress named Khatuna invited us to have a seat, and handed us a menu. She described the dishes of the day and recommended cabbage salad and mushroom soup. At first sight, you wouldn't know Khatuna is autistic—she is sociable and independent. She serves our food and helps clean up, and works in the kitchen, too. She and 20 other people with mental disabilities participate in the Rhea Union's Integration Center nearby, where young people with different disabilities gather five days a week and take courses to develop their skills.

Some skills include crafts such as pottery, painting and weaving. There are also training courses on how to serve and work in public businesses like Rhea's Squirrels.

Lela Berikashvili is the mother of 22-year-old Giorgi who was diagnosed with cerebral palsy at age four. Lela tearfully remembers the depression she suffered when she had to leave her prestigious job in the government to take care of her son's health around the clock. Her whole purpose of living was for her son to get well, and she took him to many medical professionals and even to resorts in Crimea. Still, her son could not use his arms and legs. He could only communicate through his eyes. No one gave Lela any diagnosis, and they were unable to help her son.

"When Giorgi was 14 years old, my financial and moral resources came to an end, and I surrendered. I stayed at home with my depression, crying all day – until Eliso came to my house – and we joined her integration project. Soon, this became our life!" Giorgi has become a student at the Integration Center, and Lela began teaching there.

Eliso Rekhviashvili, an Arab language specialist, is the founder of "Rhea." Eliso prefers to act rather than talk about her accomplishments. But the impact of her pioneering work is clear. For six years she and her colleagues worked as volunteers to help children with mental disabilities integrate into society. They have been supported since 2006 by the German organization Bread for the World or "Brotfür die Welt," by the Austrian organization Diakonia and the Austrian Development Cooperation office. Today "Rhea" runs four integration centers in Georgia.

"The Café Gallery Rhea's Squirrels was the logical continuation of our integration centers," says Eliso. "We started helping our youth develop their social skills; then, professional training was added later. We saw them making progress, but given the situation on the job market, we did not want to wait for opportunities for our students to get an occupation somewhere in private business; so we decided to create opportunities for them ourselves."

SPECIAL PEOPLE

"We have watched how our students have opened up to the world and to life," explains Tamriko Kvachava, PR officer at Rhea Union's Integration Center. "In the beginning, many of our students—who could hardly communicate, even with their family members – developed their talents in painting and pottery, and some make beautiful tapestries. We don't call them disabled. We prefer another term –'people with special developmental needs,' or just 'special people.'"

One of the keys to helping people with disabilities is making sure their voices are heard, noted Helena Sancho, the First Secretary of Development Cooperation at the Swedish Embassy ▸▸

Khatuna and Lela **Photo by Tatjana Montik**

in Georiga.

"A key problem is stigma and hiding. People with disabilities are often not taken into consideration; they are often treated as invisible. Persons with disabilities are therefore often very limited in what they can do. They cannot move freely. And this leads to discrimination and to limitation in their possibilities in exercising their basic human rights such as access to education, the possibility to vote in some instances, [and] access to general healthcare," she said.

Through its aid organization, SIDA, the Swedish government is financing a number of projects for Georgians with disabilities. In particular, SIDA has been working with the Eurasian Partnership Fund to help people with everything from access to public buildings and tourism sites to legal assistance and employment.

"We have noticed that when working with people with disabilities, you tend not just to improve their situation, but actually to improve the situation of other parts of society as well. Once we focus on a certain group, it helps to make the situation for the whole society better," Sancho said.

Rhea Union's Integration Center is also committed to making sure its clients' voices are heard – and their talents are appreciated – in the community.

Several times a year, usually at Christmas and Easter, Kvachava helps organize integration trade fairs, where beautiful products from the integration centers can be bought.

Unsurprisingly, Rhea's Squirrels has many visitors who stop in for its unique dishes, like Dirk van der Eede, who loves sitting outside with his dog to work at his computer and have lunch.

"I think this is the only place in Tbilisi that people with disabilities are regularly serving and included in the workforce of a public restaurant. When I came to Georgia one and a half years ago, I rarely saw people with disabilities in the streets, and asked my Georgian friends about it. They said that disabled persons are often kept inside, within the family, and that they don't have a real social life outside. Then I discovered that here, in this café, that isn't true. It is great that they have a role in the society, and I guess it is something which is exemplary here in Tbilisi, as here I see them in daily life, and they are all very nice," van der Eede remarked.

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Building an Inclusive Georgia

From spice production to tour agencies, Eurasia Partnership Foundation (EPF)and the Swedish government have supported a number of initiatives to help people with disabilities lead full and productive lives in Georgia. The following is a short summary of just a few of the projects they have made possible over the past few years. For more information, please visit www.epfound.ge.

"Through Eurasia Partnership Foundation we have supported social integration of mentally disabled people through civic monitoring and advocacy; contributing to development of national mental health policy in Georgia; providing accessibility of tourism infrastructure…" noted Helena Sancho, the First Secretary of Development Cooperation at the Swedish Embassy in Georgia.

"We also have supported a project that specifically works with empowering people with disabilities in order to make them active members of society, so that they and their families are better able to advocate for their rights and needs. Another project has supported a creation of an online map that provides information about wheel chair accessibility of various public buildings (e.g. cafes, restaurants, government offices, etc.) to the PWDs and their families, so as to improve their access to social, cultural or economic activities."

ACCESSIBLE TOURISM

EPF supported Parsa, a non-government organization (NGO) to assess the accessibility of tourism sites, hotels and cafes in Adjara and Samegrelo regions of Georgia. The information was then entered into a database on the NGO's website, www.parsa.ge.

Levan Areshidze, an accessibility auditor and a tour-agent of the tourism agency Parsa, was part of the project. "I am a wheelchair user. After undergoing special trainings, I started working in the organization as an expert. Together with my colleague, who has hearing impairments, I conducted accessibility audits of 39 public places in Adjara and Samegrelo regions. After that, Georgian National Tourism Administration contracted us, Parsa, to undertake accessibility audit for tourist infrastructure in Telavi, Sighnaghi, and Kvareli municipalities," he was quoted as saying in an EPF report about the project.

"FULL-FLEDGED MEMBER OF SOCIETY"

The Social Enterprise Ertad, which is supported by EPFwas launched in the beginning of 2013. It was able to receive concessional loan from TBC Bank as part of the initiative launched by EPF in cooperation with Tbilisi City Hall.

The production line of the SE Ertad employs two wheel chaired workers to pack its main product, the Svanetian salt (salt mixed with Georgian spices), which is now soldat supermarket chains in Tbilisi. Hera, another local NGO, also worked with EPF to create a sound recording studio that employs people with special needs.

Davit Kviriliani, who has worked at the studio, told EPF "being employed in a social enterprise creates opportunities for people with various disabilities, as they are given chance to show their intelligence, develop skills and simply become integrated in the society. For me personally, working in the social enterprise – sound recording studio HERA, provides opportunity to have close contacts with people and be involved in public relations. I feel that I am a full-fledged member of the society."

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AmCham Members Meet Deputy Economy Minister, Discuss "Produced in Georgia"

Nicholas Berliner, Deputy Chief of Mission from Embassy of the United States in Georgia, opened the AmCham monthly Roundtable meeting on September 9 at Marriott Tbilisi Hotel with an engaging political and economic environment review.

He outlined important issues concerning U.S. foreign policy concerning Iran and Russia and recent political developments in Georgia and Ukraine.

Mr. Berliner was followed by Keti Bochorishvili, Deputy Minister of Economy and Sustainable Development. Ms. Bochorishvili gave a presention about the Tbilisi Silk Road Forum, which will take place on October 15th and 16th, as well as recent developments in the Georgian Government Project, 'Produced in Georgia.'

The meeting was followed by an engaging Q&A session. The following new members were also recognized: Georgian Logistic Group, Avis and Leavingstone.

AMCHAM TOURISM COMMITTEE, GNTA CREATING CONVENTION BUREAU

The Georgian National Tourism Agency (GNTA), with the help of AmCham, is working on creating a Convention Bureau to help maximize on Georgia's great potential as a Meetings, Incentives, Conventions and Exhibitions (MICE) destination. On Monday, October 5, we hosted a Tourism Committee meeting which was attended by the heads of international hotels in Georgia. In coordination with the committee Chair Andreas Heidingsfelder we invited the representative of GNTA TornikeZirakishvili, who will be heading the Convention Bureau from January. Tornike recently visited Baku to consult with the head of Convention Bureau in Azerbaijan. He shared his vision and action plan to the committee members and received recommendations from the top players of the hospitality market.

CSR COMMITTEE HOSTS CSRDG, WEHELP.GE

On September 24 AmCham CSR Committee resumed its monthly meetings. The committee hosted representatives of The Center for Strategic Research and Development of Georgia (CSRDG) and WeHelp.ge. Lela Khoperia, Program Coordinator at CSRDG presented the new Pro Bono program, which aims to provide consulting to public benefit organizations for free. WeHelp.ge is the fund helping to connect beneficiaries who have medical needs and people who want to offer financial support. Each working group of CSR Committee: Platform, Tools and Monitoring presented actions they have taken since summer and overviewed the future plan of development of CSR committee.

AMCHAM'S BACK TO BUSINESS COCKTAIL RECEPTION AT ROOMS HOTEL GARDEN

On September 25th, AmCham Georgia hosted its annual Back to Business Cocktail Reception and networking event. AmCham also celebrated Investor.ge's 15th Birthday and some of the people who have contributed to our business magazine's success. The event was held at the Rooms Hotel Garden. Around 120 guests from member companies enjoyed cocktails and Georgian wine, along with a delicious buffet and opportunities to reconnect with friends, colleagues and fellow representatives of member companies.

CARE for Cooperation – Improving The Economy through Cooperatives

CARE International in the Caucasus is actively involved in implementation of the European Neighborhood Programme for Agriculture and Rural Development Program (ENPARD). ENPARD is a five-year program (2013-2018) to reinvigorate the agriculture sector in Georgia with the thorough cooperation of farmers, markets, government and civil society.

The unique and holistic approach of the program aims to tap into the full potential of the agriculture sector, enabling farmers to penetrate local, regional and international markets. Key is the development of cooperatives and successful commercialization of agriculture, which will significantly boost the country's economy and the living conditions of farmers and their respective communities.

Cooperation on all levels is crucial to achieve tangible results. Through enhancing the work of cooperatives within the sector, creating market linkages, as well as stimulating cooperation with the government to create progress, the project will eventually improve productivity and livelihoods of the farmers' families and communities.

Cooperatives are the link between small- and medium-sized farmers and markets. Business-oriented cooperatives play a pivotal role in European agriculture. In most European countries, a large part of those engaged in primary production are small-scale farmers. The majority of them (and also of the big- and medium-scale farmers, too) are members of cooperatives. In total, there are 9 million agricultural cooperative members across the EU, which means than 2 out of every 3 farmers are member of at least one cooperative.

In Georgia, cooperatives have not been operating due to a number of factors such as weak organization, a lack of market linkages, insufficient resources and lack of access to capital. In order to fill this void, Georgia needs to focus on the lack of awareness of farmers of the benefits of establishing strong cooperatives, increasing business and technical farming skills, creating market linkages, and increasing access to capital.

CARE'S STRATEGY

The objective of CARE ENPARD is to ensure that business-oriented smallholder farmer groups develop capacity and are empowered to cooperate and compete well in markets. It directly addresses the situation of Georgian agriculture by framing a action that will establish and enable farmer groups to take advantage of business opportunities. This action is to be replicated on a larger scale and will validate methods to build capacity in smallholder farmer groups to create and manage rural businesses. In order to achieve tangible results, CARE's work with its cooperatives touches on a range of aspects crucial for creating long-term, sustainable impacts. Innovative aspects of the project include the establishment of a revolving fund for cooperatives and the use of CARE's business model for selecting the cooperatives with the highest potential and providing them training and support in a widerange of necessary areas. In order to do this, CARE provides technical assistance for farming and greenhouses, but also on the business side of the cooperatives, which is equally important.These include the:

- Development and implementation of innovative and financially sustainable models, so that farmers are better able to reap profits from their agricultural activities and enjoy long-term economic sustainability;
- Strengthening the soft capacities and skills of farmers; providing basic support for business planning and technical know-how;
- Introduction of a revolving grant scheme;
- Focusing on farmers' best business ideas;
- Consolidation and institutional strengthening of the Georgian Farmers Association (GFA).

THE REVOLVING FUND

An innovative financing mechanism to ensure long-term sustainability and abstinence from dependency-creating giveaways is the revolving fund. This mechanism aims to motivate and develop capacity building for farmer groups in order to organize to increase efficiency, and to create a sustainable mechanism for scaling up and replication. Farmers will be expected to fully participate in all stages of exploration and analysis of market opportunities, sources of technical and material support, and negotiations with investors. Start-up funds will be provided as interest free loans , with each group committing to a repayment schedule. This mechanism allows the revolving fund to reinvest in other cooperatives, and in doing so, it will eventually reach out to a large group of beneficiaries.

IMPROVING VALUE CHAINS –THE KEY TO SUCCESS

Based on the CARE International in the Caucasus business model to stimulate economic growth and create social impact, the CARE project builds on a comprehensive approach for developing agriculture in Georgia.

This entails identifying the most promising businesses and ideas, providing business training to a large group of cooperatives and providing specific business training to a select group of cooperatives, providing technical training, and encouraging capacity building for farmers and connecting them to the value chains they operate in. The link with larger companies and investors has proven to be crucial for the profitability and therefore economic sustainability of the companies.

Within the project, CARE international will support 60 cooperatives. Georgian cooperatives can play a key role in shaping and improving Georgia's rural economy and can offer interesting opportunities for companies and investors.

It is worth emphasizing that CARE ENPARD is currently seeking to advocate and fundraise to support vetted business ideas of well-trained cooperatives that are ready to enter the market economy.

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AMCHAM'S BACK TO BUSINESS COCKTAIL RECEPTION AT ROOMS HOTEL GARDEN

Amcham Georgia treated its members at Rooms Hotel Garden with a cocktail reception on September 25. The party included a special tribute to Investor.ge magazine, which celebrated its anniversary. Current and former editors, including the magazine's founder Amy Denman, Allison Dvaladze, and Suzanne Channon, were present to celebrate the big event. Investor.ge thanks everyone who has supported it over the years!

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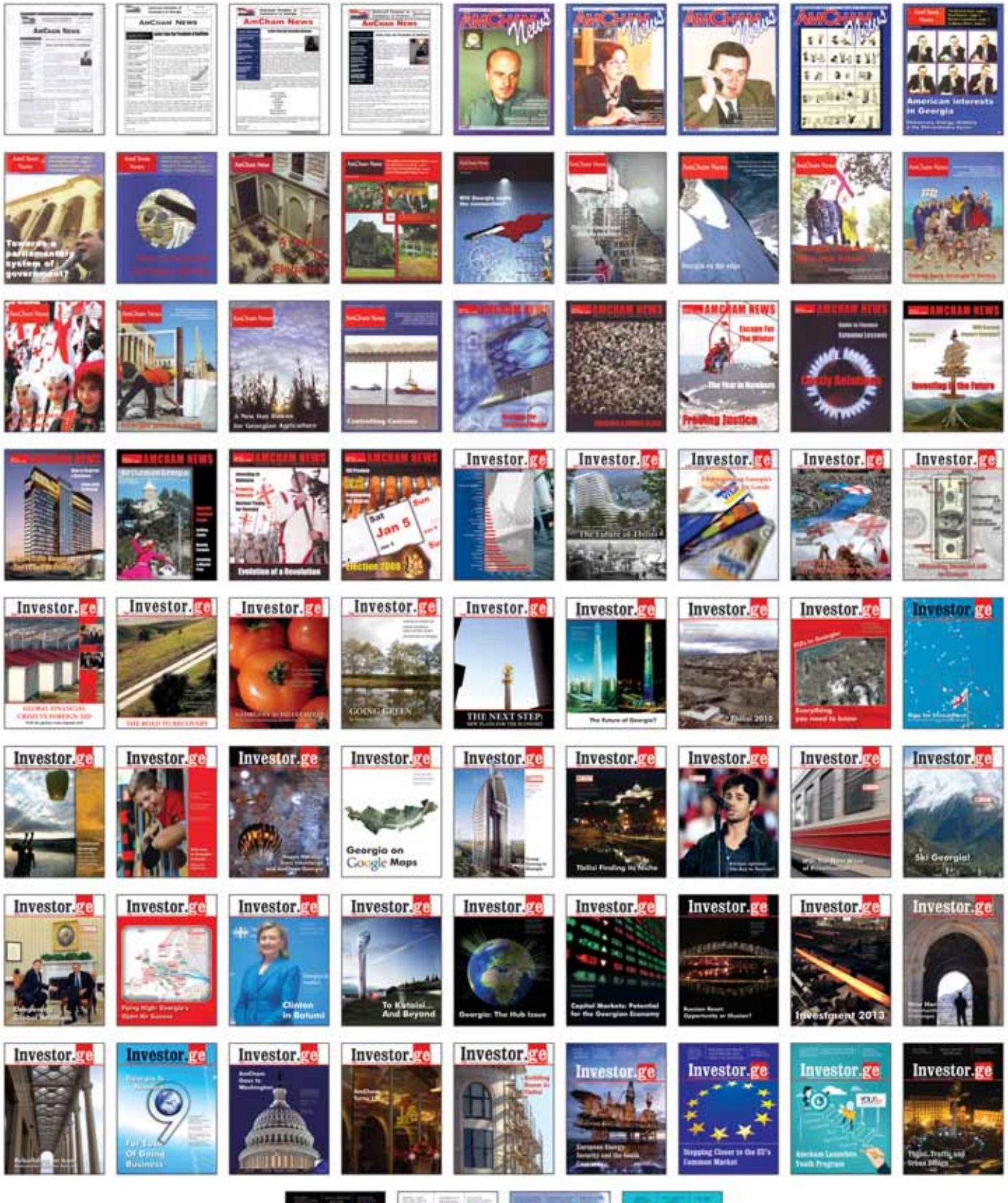

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