CRACKING THE NUT BUSINESS

SAVING GEORGIA'S THREATENED WHEATS

A GOVERNMENT PLAN TO BOOST MOUNTAIN TOURISM

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INVESTMENT NEWS

FROM HOTELS TO STARTUPS, STOCK LISTINGS TO MEMORANDUMS OF UNDERSTANDING, THE LATEST NEWS IN INVESTMENT IN GEORGIA.

PM GIORGI KVIRIKASHVILI AT INVESTOR ROADSHOW IN US

Georgian Prime Minister Giorgi Kvirikashvili recently participated in a multi-city investor roadshow in partnership with Citigroup and J.P. Morgan. The roadshow was organized by the Georgian National Investment Agency.

$1 MILLION INVESTMENT FOR TOPISHARE

Topishare, a startup social network based in Tbilisi, announced on May 31 that it secured $1m dollar in its Series Round A. The company's press release said the startup is now valued at $10m.

$120M TWIN-TOWER HOTEL COMPLEX PLANNED FOR BATUMI

Construction of a multi-million dollar complex in Batumi will begin on June 5 and be completed by 2017, the Agenda.ge website reported. The Twin Tower complex, which will have 5,000 hotel rooms and apartments, will reportedly be the sixth largest in the world by number of rooms.

EUROPEAN INVESTMENT BANK LOANS €45 MILLION TO GEORGIA

The European Investment Bank (EIB) is lending €22.5 million to finance small and medium-sized enterprises (SMEs) and companies engaged in trade and commerce in the country, Agenda.ge reported.

This will be the first tranche of a €45 million loan to Georgia's Bank Republic.

GEORGIA'S GDP GREW 4.3 PERCENT IN APRIL

The estimated real Gross Domestic Product (GDP) growth rate of Georgia reached 4.3 percent year-on-year (y/y) in April, according to official statistics.

Estimated real GDP average growth was 2.3 percent for Q1 2016 y/y and 2.8 percent for the first four months of 2016, compared to the same time last year.

NEW CHARTER GEORGIA-KAZAKHSTAN FLIGHTS

SkyBus, a Kazakhstan airline company, is starting charter flights between Batumi and eight cities in Kazakhstan, Agenda.ge reported.

Flights will be available eight times a week starting in June; the following cities will be serviced as part of the three-month program: Aktobe – Batumi - Astana; Kyzylorda – Batumi – Aktobe; Shymkent – Batumi – Kyzylorda; Aktau – Batumi – Shymkent; Atyrau – Batumi – Aktau; Karaganda – Batumi – Atyrau; Kostanay – Batumi – Karaganda; and Astana – Batumi – Kostanay.

COMMERCIAL ATTACHES FOR GEORGIAN EMBASSIES

Georgia's Economy Minister Dimitry Kumsishvili has announced commercial attaches will be stationed at the country's embassies to help foster business ties abroad, Agenda.ge reported. The move is part of a plan to build stronger economic ties between Georgia and other countries over the next 18 months, the report said.

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FIZS IN GEORGIA: INDUSTRIAL HOTSPOTS IN KUTAISI, POTI AND TBILISI

OVER 100 COMPANIES RECEIVE THE BENEFITS OF BEING REGISTERED AT A FREE INDUSTRIAL ZONE (FIZ) IN GEORGIA. CURRENTLY, FOUR FIZS ARE ACTIVE AROUND THE COUNTRY.

NINO BAKRADZE

POTI'S 300 HECTARE FIZ

The history of Free Economic Zones (FIZs) in Georgia starts in 2008, when RAKIA Georgia Free Industrial Zone LLC, founded by the RAK Investment Authority (RAKIA), a government agency of the Emirate of Ras al-Khaimah, bought an over 3-million-square-meter tract of land in the seaside city of Poti. The Poti Free Industrial Zone has been fully functional since 2011.

Today, the Poti FIZ offers 300 hectares of land, of which over 120 hectares are currently occupied by businesses. According to David Barker, director of RAKIA Georgia Free Industrial Zone LLC, the company that operates the Poti FIZ , the FIZ supports services of almost 80 licensed investors in a wide range of industries, including vehicle equipment suppliers, construction materials, industrial liquids, textiles and pharmaceuticals. According to Barker, Poti FIZ had proceed 3,777 containers in 2015. Since inception, however investors in the Poti FIZ have invested about $44 million in the Georgian economy and employed 380 people.

FROM KUTAISI TO PORTUGAL

After it initiated the Poti FIZ, the government decided to establish its next FIZ in Kutaisi, and, in 2009, allocated 27 hectares of land to LLC Fresh-Georgia adjacent to Kutaisi's former truck manufacturing plant. LLC Fresh-Georgia, a subsidiary of the Egypt-based Fresh Electric Company, serves as an administrator company of the Kutaisi FIZ to the present day.

Mikheil Tigishvili, General Director and Founder of the Kutaisi Free Industrial Zone, says that the Kutaisi FIZ contains 20 companies. Most of them produce home appliances, including gas cookers, water heaters, and washing machines, as well as textile goods like environmentally friendly pillows, blankets and bed sheets. Tigishvili highlights that the total value of goods produced in the Kutaisi FIZ is over $50 million per year. Goods produced in the Kutaisi FIZ are largely exported to post-Soviet countries. This year, companies in the Kutaisi FIZ have started to export their products to Poland and Portugal, as well.

A NEW GENERATION OF FIZS

After a six-year break, the government licensed two more FIZs in Georgia in 2015.

Pursuant to to a decision of government of Georgia signed in March, 2015, a land plot of over 350,000 square-meter was given to the Georgian Huashun International Industrial Investment Group Ltd in order to run a FIZ at Kutaisi for 30 years, the Hualing Kutaisi FIZ.

Initial investment in the Hualing Kutaisi FIZ was $150 million. The Hulang Kutaisi FIZ started operating in October 2015 and already contains about 15 different companies.

As Giorgi Rogava, Sales and Development Manager of the Hualing Kutaisi FIZ says, most of these companies produce furniture and plastic goods, processed wood and stone raw materials. The total value of production in the Hulang Kutaisi FIZ has been over $2 million since last October, Rogava told *Investor.ge*.

Two months after the Hualing FIZ's presentation in Kutaisi, the government announced a new project, this time in Tbilisi, the Tbilisi Free Zone.

BitFury, world's leading blockchain technology company, is the owner and developer of the property. The Tbilisi Free Zone was initiated in the autumn 2015 on a 17 hectare land plot in a Tbilisi suburb. According to the government's decision, BitFury will run the FIZ in Tbilisi for 49 years.

Currently, BitFury runs energy efficient immersion cooling mega Data Center in the Tbilisi FIZ, which processes transactions using BitFury's latest generation 28 nm and 16 nm ASIC chips. As Juliet Kinkladze, Business Development Manager of Tbilisi Free Zone, told *Investor.ge*, BitFury has already invested $30 million in the project and employs over 70 people. According to Kinkladze, the Tbilisi FIZ is focused on but not limited to high tech projects. The team is working on attracting pharmaceutical, trading or textile companies to the FIZ as well.

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Is Limited Liability Always "Limited"?

TAMARA TKESHELASHVILI AND MARIAM ANTIA,
LAWYERS AT MGALOBLISHVILI KIPIANI DZIDZIGURI (MKD) LAW FIRM

THE SUPREME COURT OF GEORGIA ISSUED A LANDMARK DECISION IN 2015 (CASE #AS-1307-1245-2014, CASE #AS-1158-1104-2014) DEFINING THE SCOPE OF PERSONAL LIABILITY OF THE SHAREHOLDERS AND THE DIRECTORS OF A COMPANY. THE DECISION IS IMPORTANT BECAUSE IT DISCUSSES THE DOCTRINE OF PIERCING THE CORPORATE VEIL AND INTERPRETS ONE OF THE CORE FIDUCIARY DUTIES – THE DUTY OF CARE.

PIERCING THE CORPORATE VEIL

The Supreme Court ruled that the grounds for liability of shareholders and directors are inherently different, given their distinct status.

According to the Supreme Court, shareholders may be held personally liable (the corporate veil may be pierced), based on article 3.6 of the Law of Georgia on Entrepreneurs, if shareholders misuse corporate forms of limiting liability.

The Supreme Court broadly interpreted said clause, stating that personal liability could arise not only from the misuse of the corporate form, but also as a result of abusing limited liability. As the Supreme Court states, such abuse of corporate power occurs when a shareholder orchestrates activities aimed at tax evasion and the company is used by the shareholder as a tool for originating undeclared income. The burden of proof in such a case is on the plaintiff.

The Supreme Court ruled that the grounds for liability of shareholders and directors are inherently different, given their distinct status.

THE DUTY OF CARE

As for the personal liability of directors, the Supreme Court discussed the obligation of a director to manage his or her company in good faith and with due care, and in the best interests of the company. The Supreme Court explained that the minimization of tax liabilities and appropriate tax planning are part of exercising due care, since they aim to increase profit for investors. Nevertheless, they do not justify involvement in illegal schemes of tax evasion, due to the resulting criminal liability and the destructive effects they will have on a company in the long run.

Illegal tax evasion also deprives directors of the shield of the business judgment rule (i.e. the presumption that the decisions of the directors are informed, in good faith and in the company's best interests). All in all, company directors shall aim at increasing profit, but shall do so only by lawful means.

As a law firm, Mgaloblishvili Kipiani Dzidziguri (MKD) handles nearly all key aspects of Georgian law and advises on various investments in different sectors of the economy.

The firm benefits from a large team of expert lawyers and a well-established network of external professionals to provide its international and domestic clients with more specialization and focus. According to international legal directories, MKD's practice and lawyers have been consistently recognized as one of the leaders in Georgia.

The information provided in this article is general in nature and does not constitute legal advice. Please contact your legal advisor regarding your specific needs and situation.

TAMARA TKESHELASHVILI

Tamara has been a lawyer at MKD since 2005 with extensive experience in Corporate Law, Communications, Banking and Finance. She has advised local and international clients in a broad variety of high-profile cases and transactions relating to implementing various regional projects, structuring of transactions, acquisition of shares, regulatory matters and more.

MARIAM ANTIA

Along with deep understanding and genuine affection for civil aviation, Mariam has a significant practice in Corporations and Banking and Finance under her belt, as well as expertise in Employment Law. What sets her apart is the international exposure, and in-house counsel prospective of how corporations operate, and how best to assist corporate clients.

More information on MKD Law Firm is available at www.mkd.ge

GEORGIAN MACROECONOMIC REVIEW AND GROWTH PROSPECTS

KETI KHUKHUNASHVILI

The Georgian economy has fared very well despite last year's economic turbulence, which included a game-changing shift in oil prices and deep corrections in emerging market exchange rates compounded by a strengthening dollar.

These challenges have pushed Georgia to diversify away from its largest regional trade partner and increasingly look toward the EU for cooperation. Georgia is expected to deliver relatively stronger growth in the region and start capitalizing on its steadfast focus on EU integration, according to the latest assessments published by the European Bank of Reconstruction and Development (EBRD), the Fitch Ratings and S&P Global Ratings agencies.

"RESILIENT" ECONOMY

In his assessment of ongoing economic challenges, Agris Preimanis, the Lead Economist for Central Asia at the EBRD, explains that "through various channels, including the reduction of exports and remittances, and reduction of income associated with oil revenues, we saw that the entire region was affected and Georgia was not alone in seeing lower economic growth. However, Georgia stood out as a more resilient country compared to the rest of region."

Georgia has one of the highest real GDP growth rates among CEE countries and its immediate neighbors, achieving 2.8% real GDP growth in 2015 versus a contraction in Russia and below 2% growth for most other CEE countries. Moreover, the EBRD recently raised ▸▸

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growth forecasts for Georgia for 2016 and 2017 - to 3.4% and 3.9%, respectively – crediting better tourist inflows and improved business confidence and investor confidence as reasons for a more positive outlook. "External conditions remain difficult, as Russia is still in recession, and other trading partners are not doing as well. However, Georgia is expected to turn the corner and there is improvement in business sentiment. We see increased trust in the national currency and in the NBG's actions. Against this background, growth in Georgia is projected to deliver relative improvement," noted Preimanis in his interview with *Investor.ge*.

The Georgian currency was also relatively more resilient to the stronger dollar and other factors affecting regional currencies. Even though the lari dropped more than 20% against the greenback in 2015, it continued to weaken at a slower pace of approximately 8% since the beginning of 2016 (as at 16 May 2016).

The EBRD credits this leveling off in the pace of depreciation to increased trust in the local currency and the Central Bank's policies.

These factors are also expected to help decrease dollarization on both the loans and deposits sides. Additionally, the improving trade deficit, which has contracted by approximately 14% in the first four months of the year, led to less pressure on the GEL exchange rate versus the U.S. dollar, euro and other trade partner currencies. Supporting this recovery, inflation was reigned in after exceeding the NBG target rate in 2015 to a more acceptable level of 3.2% in April 2016 (y/y).

This careful optimism is shared by rating agencies, as well in the most recent affirmations in rating levels and outlook assessment issued by Fitch Ratings and S&P Global Ratings in the press releases accompanying their respective May 2016 ratings actions.

Both agencies see supportive fiscal and external conditions for Georgia to deliver on its stronger growth prospects. In particular, the S&P has highlighted the prudent level of general government debt (at 40% of GDP) and several positive developments expected in the country, including progress toward the EU-Georgia Association Agreement. According to the EBRD, the effects of the EU's promising Deep and Comprehensive Free Trade Area (DCFTA) regime may even skew the preferred foreign currency for Georgia in favor of the euro:

Georgia has one of the highest real GDP growth rates among CEE countries and its immediate neighbors.

It may soon be more relevant to use the euro as the benchmark currency given Georgia's increasing diversification toward the EU – currently comprising 24% of the country's exports in the first four months of 2016.

LINGERING CHALLENGES

This is not to dismiss the lingering challenges in the Georgian economy. The S&P has highlighted its discomfort with the level of current account (CA) deficit – at 10.6% in 2014, 11.6% in 2015 and a projected 10.3% of GDP in 2016 (data according to the IMF) – which remains high despite recent improvements in the trade balance. This is compared to less than negative 5% of GDP for oil-importing regional peers and positive balances for the oil exporters Russia and Azerbaijan in 2015. However, this may even be a blessing in disguise, since the major cause and the source of the persistently high level of CA deficit is, in fact, the high level of FDI, which in turn results in a high level of imports that are essential for projects financed by FDI. Without the FDI-driven imports, the CA deficit could be at a level similar to that of oil-exporting countries.

On the other hand, S&P signals concern with the country's external debt levels, which are compounding the effects of the lingering CA deficit and which contributed to the 2015 CA deficit, the highest since 2012. This deficit is not supported by the country's current dependence on imports and the composition of exports largely based on low-value-added goods that may not allow for further significant improvements in the trade balance.

Furthermore, the level of dollarization is also persistently high, which adds to the real effects of the approximately 20% depreciation versus the U.S. dollar that materialized by the end of 2015. As the ERBD notes in its May 2016 Economic Prospects report, Georgia has not seen a significant increase in non-performing loans (NPLs) levels and any further jump is not expected, despite a certain lag in such increases. Nevertheless, the depreciation was very testing for local businesses.

As explained by the EBRD's Lead Economist, "the NPL numbers mask the impact on the real economy – many companies that borrowed in dollars and have incomes in the local currency are experiencing a more difficult time as a result. Even though the shock is not big

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enough to cause a significant problem in the economy, these companies need to tighten their belts, and we will see the continued effect of this throughout 2016."

POSITIVE OUTLOOK

The positive news, however, is that Georgia is managing to develop its FDI potential by focusing on becoming a regional transport and communications hub, a tourism destination and a green-energy provider for neighboring economies. Opportunities in all three sectors are promising and substantial, including greater trading ties with China and the engagement in the Silk Road Belt project, the Anaklia Deep Sea Port development, and the DCFTA.

The Georgian currency was also relatively more resilient to the stronger dollar and other factors affecting regional currencies.

The country is already making impressive progress. As S&P notes in its May 2016 credit action report, Georgia has financed 75% of its CA deficit through net FDI, primarily concentrated on the energy sector in 2015. A hefty portion of last year's FDI was also concentrated in the energy sector, particularly the South Caucasus gas pipeline connecting Azerbaijan and Turkey and passing through Georgia. Tourism is also emerging as a sector for significant cash-generating potential, delivering a 15% increase year on year in the number of visitors in the first four months of 2016. The international consensus places high hopes on the sector already in 2016. As Agris Preimanis of the EBRD notes, "Looking at the broader picture for tourism in the region, and particularly among the FSU countries, Georgia stands to benefit the most, not least because of constraints in tourist flows to other countries."

The broader consensus is for Georgia to use the DCFTA and its progressing integration with the EU as a catalyst for continued improvement in local economic competitiveness and policy reform. Georgia has the opportunity to build solid macroeconomic positions for long-term growth by developing high-value-added, niche exports, and creating a robust communications/transportation network, as well as by enhancing its tourist potential and green energy generation capabilities. The more active progression of the Silk Road Belt initiative also presents an important gateway for Georgia to reprise and capitalize on its role as the transportation and communications hub in the region.

"Georgia should look at the DCFTA and the Association Agreement as being an anchor for continued improvement in competitiveness and reform. This will help in terms of trade with other countries and will improve domestic competitiveness compared to foreign companies. That, combined with expected progress in an economic environment where we see other trading partners of Georgia improving as well, Georgia has a solid basis for growth in the medium term," noted the EBRD's Preimanis.

A BLOOMING INDUSTRY: GEORGIA FACES A GROWING DEMAND FOR FLOWERS

THERE IS STEADY GROWTH IN GEORGIA'S DOMESTIC AND IMPORTED FLOWER AND GARDEN SECTOR.

MAIA EDILASHVILI

The Camellia Flowers Art Salon on Tbilisi's Vazha-Pshavela Avenue opened a little over a year ago, selling cut flowers imported from the Netherlands and Ecuador.

The salon charges between $22 and $290 for a bouquet of flowers, depending on the number and selection of flowers, relatively costly for a country where average monthly income per capita is 273 lari ($125).

Despite the prices, demand has been steady and is growing, according to the Salon's manager, Bondo Machavariani.

GROWING NUMBER OF IMPORTS

From 2010 through 2015, Georgia imported cut flowers from more than ten countries, with Ecuador, Turkey, the Netherlands, Armenia and Azerbaijan being the top five countries of origin of flower imports last year in terms of product value, according to GeoStat.

From 2010 to 2015, the volume and value of imported flowers increased, while the number of exports of flowers halved.

In figures, in 2015, 654.1 tons of flowers were imported, compared to 325.4 tons in 2010.

Georgian flower exports fell from 30.9 tons in 2010 to 15.9 tons in 2015.

Funded by ENPARD – a European Union Programme supporting Agriculture and Rural Development

DEMAND VS. QUALITY

Statistics for Georgian-grown flowers are not readily available, although there are data on the number of greenhouse businesses registered by GeoStat in the fields of gardening, decorative gardening and nursery throughout Georgia—385. Nearly half, 160, are located in Tbilisi.

Camellia's Machavariani told *Investor.ge* that the Georgian market is dominated by local production, which is, however, not of the same quality as the imports and cannot meet the demands of local flower shops.

"The lifespan of imported flowers is four times longer than that of local flowers.Therefore, prices go up," he added. The high price of commercial gas in Georgia makes it "impossible" for local growers to compete in terms of quality and price, he indicated.

To improve the local flower sector, the Georgian government and donors, like the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD), are working with greenhouses and entrepreneurs.

The Agricultural Projects Management Agency, an arm of the Georgian Ministry of Agriculture, has been running a preferential agri-credit project since 2013.

"The program invites those interested into the flower greenhouse business, in addition to other services.

Vardi-2014/ENPARD

The sector is also attracting interest from international donors, who are supporting various startups in rural areas.

Vardi-2014, a joint cooperative of five energetic, innovative women from western Georgia's Abasha region, is one such beneficiary.

The cooperative decided to create a rose greenhouse using support offered by The ENPARD. The European Union programme started in 2013 in Georgia and through variety of aid modalities has thus far allocated 102 million euro in support of agriculture and rural development in the country. The ENPARD aims to improve the efficiency of the institutions involved in agriculture, to strengthen cooperation among small farmers and to stimulate economic growth in the rural areas.

The ENPARD provided 7,909 lari in support ($3,627) for Vardi-2014, in partnership with Care International. The cooperative's financial contribution was 4,488 lari ($2,058), plus a non-monetary contribution via the greenhouse construction amounting to 8,000 lari ($3,670). With this grant, the cooperative members renovated the facility, equipped it with ventilation and irrigation systems, a special shade net, and purchased 500 rose bushes, increasing their total number to 1,600 bushes, according to www.enpard.ge.

NURTURING A NEW GENERATION

There is also a rising demand for professional florists. The Georgian Patriarchate Community College of Decorative Gardening was authorized in 2011, and over the past five years, the college has issued 550 diplomas – and 40 percent of its alumni are employed at florist shops, as private gardeners, or they have opened their own stores.

Hazelnuts/ENPARD

Cracking the Nut Business

GEORGIA IS THE FOURTH LARGEST PRODUCER OF HAZELNUT WORLDWIDE. NOW ITS FOCUS IS ON IMPROVING THEIR QUALITY AND QUANTITY.

MAIA EDILASHVILI

Hazelnuts are a top Georgian export, outselling traditional products like wine and mineral water. But the sector has to tackle issues like supply and quality in order to take full advantage of the market's potential, according to specialists.

BOOMING DEMAND

"This business is expanding," Davit Svanidze, founder and director of Natinvest, one of the 26 hazelnut processing plants in Georgia, told Investor.ge.

The company was set up in 2011 as an exporter, initially renting out plants to process the product. Later, in 2015, Svanidze opened his own processing plant in Zugdidi, western Georgia, with the support of the Ministry of Agriculture.

Today he cooperates with around 50 farmers. With a processing capacity of 200 tons of hazelnut per month, the plant employs 90 persons during peak season, in August and September.

From August through mid-May, Natinvest sold approximately 1,500 tons of hazelnuts, mainly to Italy, the UK, Germany, Latvia, Estonia, Belgium, the Czech Republic, Russia and Kazakhstan.

Svanidze said that nearly 80 percent of Georgian hazelnut exporters work through international traders.

"We have to send our product to whichever country they request, depending on market demand," he explained. England and Italy, he noted, have been the most welcoming markets for his business during this latest season.

In 2014, the latest year for which full statistics are available, Georgia's hazelnut yield was 37,400 tons, larger – in terms of weight – than all other Georgian crops other than grapes, apples and tangerines.

"Of course, the hazelnut industry has good potential in Georgia," Rati Kochlamazashvili, a senior researcher at International School of Economics at Tbilisi State University (ISET), told Investor.ge. "We are in the top five producers [worldwide], holding as much as a 5% share of the international market and taking the third place in terms of hazelnut plantations, with only Turkey and Italy being ahead. And there is a possibility for Georgia to increase its share."

Funded by ENPARD – a European Union Programme supporting Agriculture and Rural Development

BUILDING A BETTER BUSINESS

To help farmers and exporters tap into the full potential of Georgia's hazelnut production, the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) is helping increase the capacity and efficiency of the players involved in the sector.

Launched in 2013, with an allocation of 102 million euro so far, ENPARD works to reinvigorate the agriculture and the rural sector thorough fostering cooperation between farmers, the government and civil society.

The ENPARD improves farmers' know-how through consultations and local information centers, and also strengthens cooperation among smallholder farmers to increase productivity and reach economies of scale.

The Georgian government is trying to help the sector, according to Nana Chinchilakashvili, Deputy Head of the Public Relations Department at the Ministry of Agriculture.

The ministry's scientific-research center has conducted a number of training sessions in hazelnut growing mu-

nicipalities throughout Georgia and has handed out information leaflets, in order to strengthen knowledge of hazelnut growers and exporters.

"State co-financing schemes were developed, allowing farmers to expand their business, launch new plantations or replace old, less productive hazelnut varieties with new, high-yielding ones. With the assistance of the government numerous hazelnut processing plants and cooperatives were set up," the ministry said in emailed comments.

In addition, Georgia's hazelnut industry celebrated the launch of a new, Georgia Hazelnut Improvement Project (G-HIP) in May. The five-year project is a public-private alliance between USAID, Ferrero and CNFA (Cultivating New Frontiers in Agriculture), a non-profit organization head quartered in Washington, D.C. and Brussels.

Experts working with the project say one of the challenges to the quality of Georgian hazelnuts is the pay system: many farmers in Georgia have traditionally been paid based on the weight of their harvest. As a result, farmers attempted to harvest their crop early when the hazelnuts are moist and heavier in weight, which is detrimental to the hazelnuts' quality. The goal, according to CNFA's webpage, is that by the time the project ends in 2020, there will be two sustainable associations that assist growers and processors in exporting high quality, dried, traceable hazelnuts that sell at a premium to international buyers.

COMPETING WITH TURKEY

These measures could also help Georgia compete with Turkey, the largest player in the international hazelnut market. Turkey holds a 68 percent share of the world's hazelnut supply and, as the leading producer, it sets the rules of the game, according to specialists. It's hard to compete with Turkey for a number of reasons, economists believe, particularly considering its high productivity and the proportional volume of good quality kernel remaining after the hazelnut shell is removed. "In Georgia this index is 35-40 percent, while in Turkey it's 50 percent," Kochlamazashvili noted. Some of the assistance from donors, the Georgian government and the ENPARD, is starting to help, according to Mamuka Beriashvili, the owner of three hazelnut production plants. Beriashvili is particularly impressed with the hazelnut export procedures to Europe, which have become easier. "Previously [farmers were issued] a temporary license but now it is a permanent EURO-1 certificate, which is issued in Georgia," the ENPARD's webpage (www.enpard.ge) quoted him. In addition, hazelnut production enjoys VAT-free status in Georgia, unlike Turkey, which makes Georgian hazelnuts more competitive on global markets.

In addition, hazelnut producing enjoys VAT free status in Georgia, unlike Turkey, which makes Georgian hazelnuts more competitive on global markets.

"Our biggest competitor Turkey is paying three percent export tax so they lose in terms of price policy," Beriashvili said. Malkhaz Khuntsaria of Soplis Imedi (Hope of the Village), a hazelnut producing cooperative funded by ENPARD in Senaki municipality, in western Georgia, told *Investor.ge* that the future of the sector looks promising. "There is a deficit of around 25% annually in European markets," he noted.

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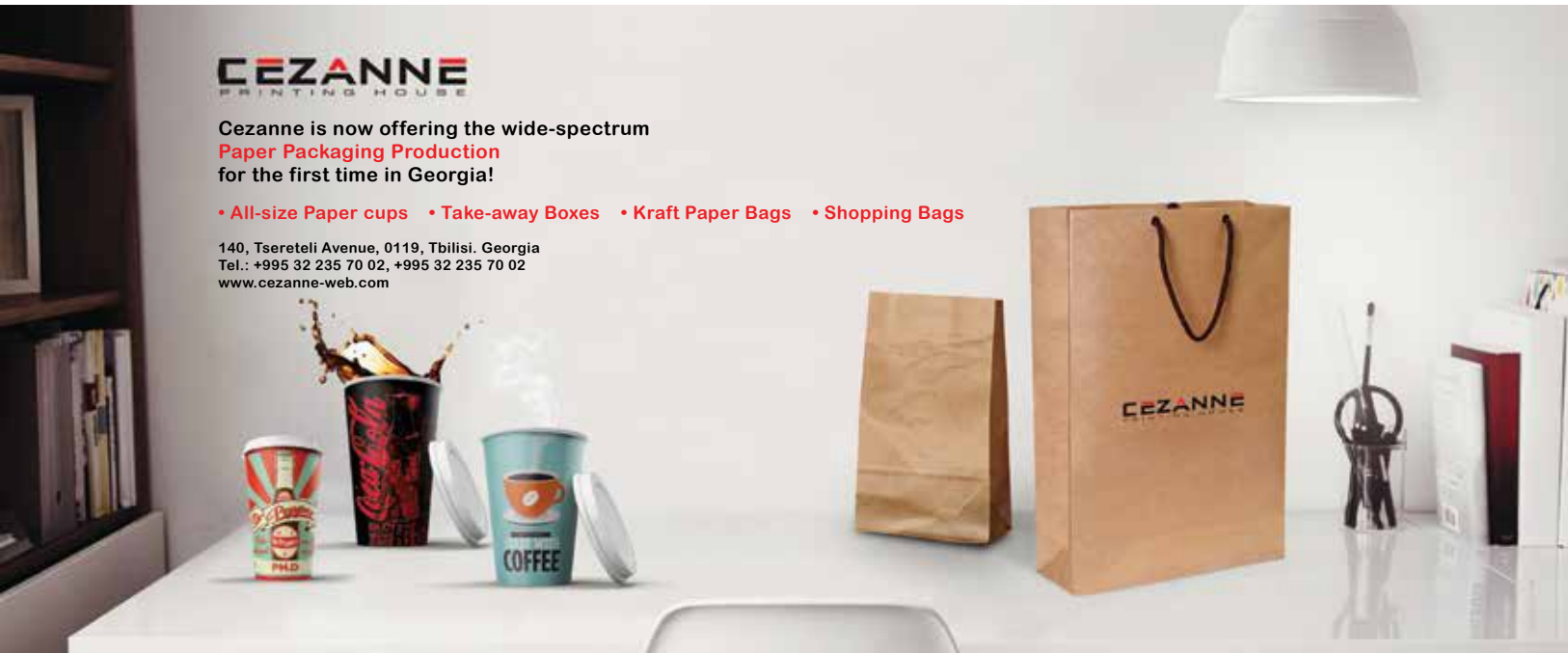

Georgia's Estonian Connection

TBILISI IS LOOKING TO TALLINN'S SUCCESS FOR KEYS TO ECONOMIC REFORM.

JOSEPH LARSEN

When one hears the term "special relationship" in foreign diplomacy, the Anglo-American partnership is usually what comes to mind. However, the partnership between Georgia and Estonia is another special relationship worth watching.

These two former Soviet republics share borders — and complicated relationships — with Russia. They also have deep cultural, geographic, and historical differences. Those differences have not stopped them from cooperating in a number of areas, however.

A SHARED VISION

The latest point of convergence between the two countries is Georgia's implementation of corporate tax reform, which is scheduled for early 2017. The government will make retained and reinvested profits exempt from the current corporate tax rate of 15 percent. In addition, companies will file taxes on a monthly basis rather than annually as they do now.

These reforms are closely modeled on the corporate tax regime that was implemented in Estonia in 2003. A 2011 study by economists at the Bank of Estonia found that exempting reinvested and retained profits resulted in higher economic growth and labor productivity, and shifting to a monthly filing system reduced the amount of time that companies spend on tax compliance each year.

"In the Estonian case it has proved over the years that [corporate tax reform] was a very clear contribution to economic growth" said the Estonian Ambassador to Georgia, Priit Turk, in an interview with *Investor.ge*. Ambassador Turk spoke highly of tax reform in his own country, and is optimistic that it can work for Georgia as well: "I don't see why [it would not be successful]. The vision of the government in Georgia is the same as it was in Estonia."

Tax reform is just one of the areas in which the two countries share ideas. Ambassador Turk also spoke at length about education, one area where successful reforms have helped spur economic growth. He identified three key aspects of Estonia's successful education reform: developing a curriculum that aligns with labor market needs, improving teachers' qualifications, and expanding and improving vocational training.

FOCUS ON EDUCATION, EXCHANGE

These lessons have not been lost on Georgia. A "low level of education is definitely one of the most important obstacles for economic growth in our country", said Giorgi Mzhavanadze and Salome Deisadze, research fellows at the International School of Economics at Tbilisi State University, in an e-mail interview with *Investor.ge*.

"The most important bottleneck in business development in Georgia is a skills mismatch: the demand for highly qualified workers is high, but supply cannot meet the labor market needs," said Mzhavanadze and Deisadze. There is thus much room for growth in vocational education.

The Ministry of Education and Sciences of Georgia is deepening its cooperation with the Estonian government in this area. One example is a partnership project between Kobuleti Community College Akhali Talgha and Valga, an Estonian vocational education and training institution. Launched earlier this year, the project will allow Georgian logistics students to pursue advanced studies in Estonia and participate in internships with Estonia-based companies.

BRIDGING THE GAPS FOR FUTURE GROWTH

Education experts are optimistic that Georgia can learn valuable lessons through its cooperation with Estonia. But according to Simon Janashia, a Tbilisi-based education consultant, there are structural problems holding back Georgia's vocational education sector.

"Professional education is not very prestigious and not a very secure investment," said Janashia. Georgian students lack a bridge from vocational education to higher education. There is no clear path forward for someone who goes through a vocational program but later decides to pursue a university degree.

Georgia could also do more to utilize advanced technologies, including the internet and communications. Advance- ▸▸

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ment in these areas has been critical for Estonia. According to Turk, Estonia's success is largely due to "a very clear focus on high-tech and IT. It has been focused for 15 years, and now we see some results ... Students and different segments of society got training in how to use the Internet."

Georgia has made gains in these areas. Nearly all of the country's secondary schools have internet access, and 300,000 Georgian schoolchildren have received laptop computers free of charge from the government.

However, according to Janashia, usage lags behind capabilities. There are no "regulations that would acknowledge informal education" and "no accreditation mechanism for distance programs," explains Janashia. Georgian schools will have to integrate web-based education in order to make the most of available technologies.

In the view of Ambassador Turk, it is important that both countries maintain a forward outlook during their ongoing economic transformations: "It's always important to look more to the future than discuss what has been achieved previously. I think that a very clear focus on the future and very clear goals [are most important]."

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Saving Georgia's Threatened Ancient Wheats

PRIZED BY AGRICULTURISTS ABROAD, GEORGIA'S ENDEMIC VARIETIES OF WHEAT ARE MAKING A SLOW, QUIET COMEBACK AFTER YEARS OF NEGLECT.

SALLY WHITE

Georgia could just as well be described as the "cradle of wheat" as the "cradle of wine." The lands between the Caucasus mountain ranges are regarded by scientists and named by the United Nations as a "biological hotspot" for many plants. For wheat, over half—14 out of 27—of the world's known varieties are registered in Georgia, five of them endemic. Grains named in the oldest Georgian translations of the Bible ("Asli," "Dika," and "Ipkli") are still around.

Grapes and grain have two different stories. Georgia's indigenous grape varieties and wineries, both large and small, are enjoying commercial success across the world. Yet the country's farmers of ancient, Georgian heritage grains have only a minute part of even the domestic market, let alone the global one.

Globally, the ancient Georgian "land-race" varieties—regional ecotypes which adapted over centuries to local conditions— are revered and collected by world plant gene banks. Agriculturists want them because they thrive in harsh conditions and are thus sought after to develop strains that will survive global warming. Nutritionists recommend them because

Georgia: Cradle of wine and cradle of wheat

they have a relatively simple gluten structure, which many say makes them easier to digest — the U.S.-based Oldways Whole Grains Council is just one party to research that indisputably proves this. These strains were around long, long before grains began to be hybridized to deliver mega-yields, which particularly, in recent years, have brought dietary challenges for many consumers.

AN ARTISAN REVIVAL

Just as its heritage grains are in danger of dying out, Georgia's artisan food producers are beginning to adopt them. This is very necessary, as while Georgia's Biological Farming Association, Elkana, has run projects to include these heritage grains in a national seed bank, only commercial success will ensure their survival on any meaningful scale. Otherwise, they will exist merely on the edges of fields and in uplands as relicts of history. Or they will, as with some Elkana farmers (especially those taking part in its UN-funded 2009 Samtskhe-Javakheti program), be grown for subsistence only as a hardy, adaptable crop that may produce lower yields but needs no chemicals.

Fortunately, these grains are not only healthy but also produce delicious, nutty-tasting bread. Hence some of Tbilisi's new restaurants, Mukha on Perovskaya, for example, and wine bars, such as Vino Underground on Galaktion Tabidze Street are showing interest. And for several years now, Vake shoppers have enjoyed the village stall (across from Goodwill) of Frenchman Jean Jacques Jacob, who brings organic produce, salads, eggs, cheeses and heritage-grain bread from the village where he farms in Kakheti.

Georgia could just as well be described as the "cradle of wheat" as the "cradle of wine."

The latest pioneer is Lali Meskhi, who, after a career in international development, has opened a bakery, Mzatamze, which uses only these grains. The shelves in her bakery — of course an organic one — are stacked with brown and white loaves of wheat, rye and sweet breads. It smells warm and fragrant with their scents. Over the next few weeks the bread will begin to be sold in shops across Tbilisi.

She, Jean Jacques Jacob, and most others who produce bread from Georgian heritage grains, are using Georgia's Meskhetian Red Doli wheat (Tsiteli Doli), a soft wheat which spread over all of Georgia. Its ancestor (as recorded in a paper on "The ancient wheats of Georgia and their traditional use in the southern part of the country" written by Elkana's director, Mariam Jorjadze, among others) was *Triticum aestivum*. Remnants of this ▸▸

Mzatamze **Nick Paniashvili**

grain have been found in Neolithic materials in Western Georgia and materials of the Eneolithic Age in Eastern Georgia.

Georgian soft wheat varieties are used to derive modern wheat species, commented Jorjadze in her paper: "Regrettably, these wheat species are critically endangered in Georgia. Fortunately, they are known and conserved in genebanks abroad." The U.S. and France have latched on to Tsiteli Doli, including it their gene banks, and farmers in the south of France are using it, calling it Caucasus Rouge.

Just as its heritage grains are in danger of dying out, Georgia's artisan food producers are beginning to adopt them.

However, says Meskhi, finding enough of the wheat is no easy task. Hence, her plan is to do what Jacques has done: grow her own. In any event, this is something that has long been in her mind, since the grain was recommended by her nutritionist several years ago. Plus, she thinks increasing production of these ancient varieties is the only way to improve the quality of Georgian bread.

SEEDS OF SUSTAINABILITY

For Meskhi, Georgian wheat is of particular interest, coming as she has from a background of building sustainability in Georgia. She sees huge potential in Georgian wheat, having spent the last five years managing a United Nations Development project to develop agriculture—crops for human and animal food being key — tourism and environmental education. Beyond domestic consumption, however, there are opportunities arising from wheat's tremendous strategic importance in food security and trade globally.

"Georgian wheats are not just delicious and good for the health of those who eat the bread made from them," says Meskhi.

"They can improve food security because of their resistance to nutrient, water and climate stress. So, they are important not just to Georgia, but to the world, and we should be promoting them much more widely."

She intends to make sure that Georgia does!

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MUCH ADO ABOUT NOTHING OR A REAL BATTLE FOR THE CONSTITUTIONAL COURT

Headline news in Georgia recently start with the breaking news of purported attacks on independence of our Constitutional Court. Politicians, experts, NGOs and everyone who may or may not have an informed opinion are wondering if the President will use his right to veto this law and if the Parliament will overcome it with the same ease as it has done before.

Nine judges of the Constitutional Court appointed by the Parliament, President and the Supreme Court stand to protect constitutional order and rights in Georgia.

The judges in the Constitutional Court may be appointed only for one – 10-year term, interestingly, the term of three current judges, two President's appointees, one Parliamentary and one Supreme Court appointee is expiring at the end of September.

While the first few amendments to the law are aimed to specify the procedure applicable to the appointing the Chairman of the Constitutional Court, procedure of substituting the judges, etc. the first controversy begins from Article 18 of the Organic Law on Constitutional Court of Georgia. The law previously stated that after the expiry of their tenure judges could still handle cases under their initial review. The new law limits the right of the judge whose term is expiring in 3 months to review cases related to the election, referendum, etc. but other pending cases, such as the review of constitutionality of the normative acts shall wait until the new judges are appointed. Consequently, starting from July 2016 four judges of the Constitutional Court shall be dismissed from all cases related to the constitutionality of any normative act.

Another controversy is in Article 21, now allowing one member of the constitutional panel, instead of the entire panel to bring the cases to the plenum of 9 judges. Therefore, any case, even if does not fall under the competence of the Plenum may end up there at the decision of one judge.

The quorum of the Plenum has been increased from 6 to 7 members, whereas the decisions now may be rendered at the consent of 6 attending judges, instead of 4.

Thus, the talks on the possible political motivations may continue whereas our job is to only bring the facts to the reader, reflected by the independent lawyers of BLC.

DEFAULT JUDGMENTS MAY NOT MAKE SENSE ON THE LEVEL OF APPEALS

With its decision rendered on March 17, 2016, the Grand Chamber of the Supreme Court overruled the default judgment rendered by the Court of Appeals stating that the failure to submit the written response to an appeal must not serve as a basis for rendering default judgment by the appellate court (Case #as-121-117-2016). Supreme Court based its arguments on the principle of adversary trial. The judgment states however, that the failure of the party to appear in the oral hearings will, yet trigger the threat of the default judgments.

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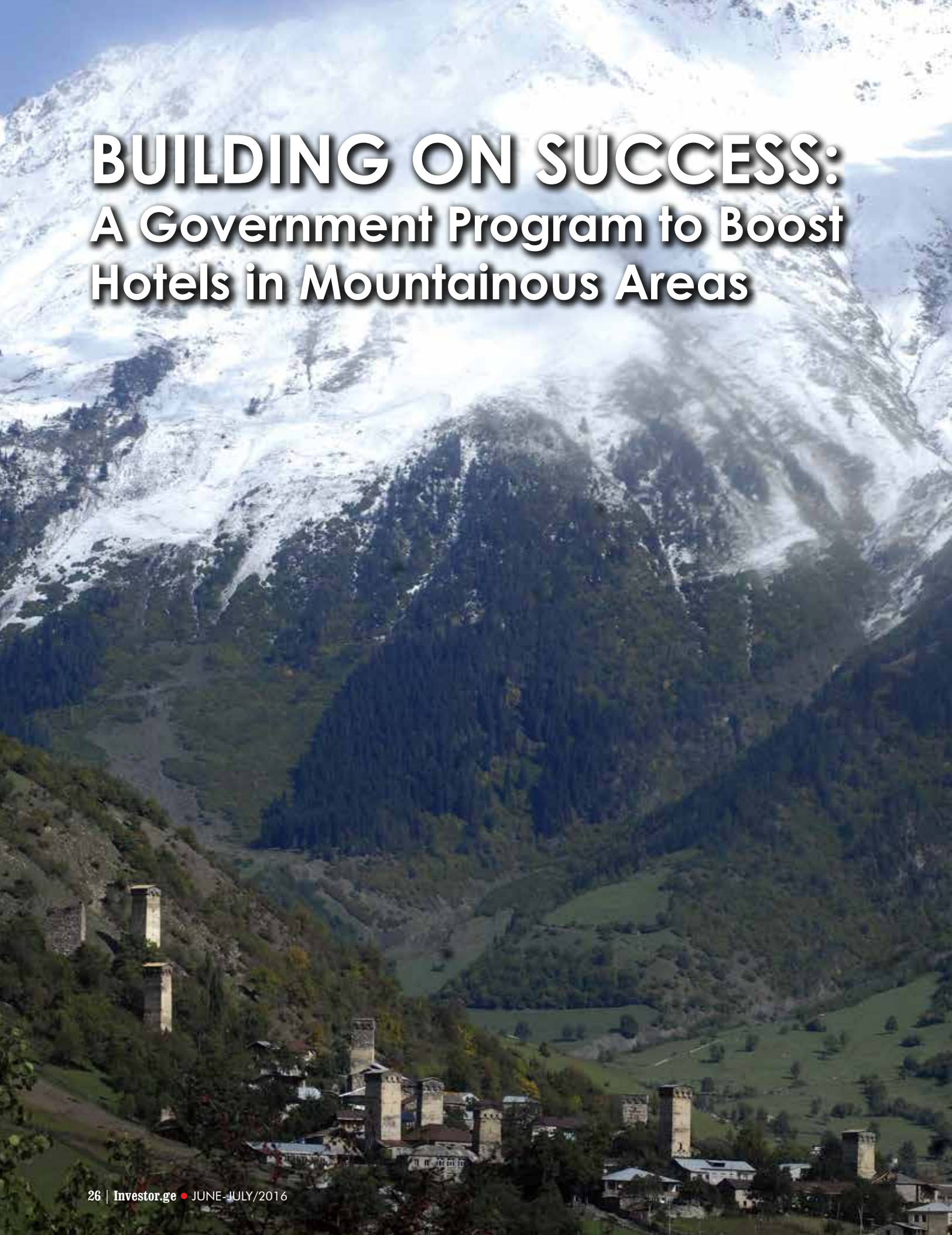
Creating a New Niche

THE GEORGIAN GOVERNMENT AND PRIVATE BUSINESSES ARE WORKING TOGETHER TO EXPAND THE COUNTRY'S TOURISM SECTOR. FROM MOUNTAINS TO MEDICAL SERVICES, GEORGIA IS CREATING NEW NICHES TO ATTRACT TOURISTS.

BUILDING ON SUCCESS:
A Government Program to Boost Hotels in Mountainous Areas



INVESTOR.GE'S LIKA JORJOLIANI SPOKE WITH DEPUTY ECONOMIC MINISTER KETI BOCHORISHVILI ABOUT THE GOVERNMENT'S NEW INITIATIVE TO HELP ENCOURAGE DEVELOPERS TO BUILD HOTELS IN MOUNTAINOUS AREAS AROUND THE COUNTRY.

LIKA JORJOLIANI

The Georgian government is betting on a new financing system to attract more hotels and services—and more tourists—to the country's remote mountain resorts.

From Bakuriani to Bakhmaro and every potential ski resort in between, the program foresees low interest rates and other business-friendly conditions to encourage businesses to build in potential hot spots for tourists.

"One of the main targets of the government is to transform mountain skiing resorts into four-season resorts," Deputy Economy Minister Keti Bochorishvili said.

The project, which is part of the government's Produce in Georgia program, also aims to increase the number of tourists, develop infrastructure in the regions and create local jobs, she noted.

LOW-INTEREST IOANS

Bochorishvili said that Produce in Georgia studied the tourism market and found that more support was necessary to encourage developers to build accommodations in mountainous regions.

"The demand for high-quality hotels is constantly increasing, but for the entrepreneurs the key issue is financial availability," she said.

Therefore, the Ministry decided to make access to affordable financing the heart of the initiative, betting that more investment in high-value projects will led to economic growth in remote areas of the country.

Developers who build a hotel in a mountainous region within 24 months will pay annual interests rates of between zero to three percent for two years. The project also foresees "co-participation" worth half of the loan amount, Bochorishvili said.

If a developer brings an international hotel brand to Georgia, the project will provide some co-financing for the annual interest rate as well, and as much as a 300,000 lari for annual franchising and management costs for two years.

PLANS ACROSS THE COUNTRY

There are already developments planned or underway in six of Georgia's mountainous resorts, she said.

A general development plan is being created for the Bakhmaro resort in western Georgia.

There is also a new general development plan for Gudauri, a popular ski resort, which includes the construction of additional three ropeways as well as work on the water supply system. There is also interest in creating ropeways connecting Gudauri with Kazbegi.

A second ski resort, Bakuriani, is slated for toboggan runs and a new park.

Three new ropeways and accommodations for 300 beds are planned for nearby Mitarbi, a resort not far from Borjomi.

In Svaneti, four new ropeways are planned for the Tetnuldi resort and, in Adjara, a master plan has been created for the newest ski resort in the country, Goderdzi.

In addition, this year the low-cost airline Wizz Air will open a regional base at the Kutaisi Airport. There are also more flights to Israel, Iran and Russia planned, she said.

KEY TO DEVELOPING TOURISM SECTOR

"Large-scale projects completed in mountain resorts are key to increasing the number of tourists," Bochorishvili said.

She noted that there have already been real successes, including the artificial snow systems in Gudauri and Bakuriani (Didveli); the creation of bike boulevards and parks in Bakuriani and Gudauri, built according to European standards; the opening of the Goderdzi Resort; and the establishment of a single ticket to all ski resorts for subscribers. The ticket would allow skiers to use services at Gudauri, Bakuriani, Goderdzi, Tetnuldi, and Hatsvali resorts.

"The implementation of these projects resulted in an increasing in the number of beds; for example in Gudauri, there was an 85 percent increase compared with 2010, and a 66 percent increase in the number of visitors," she said.

"According to research conducted by EY, there is the potential for three times the number of visitors – from half a million to 1.5 million."

Georgia's Potential to Become Hub of Medical Tourism

THE GROWING POPULARITY OF MEDICAL TOURISM IS ATTRACTING ATTENTION IN GEORGIA.

MERI TALIASHVILI

From Turkey and Thailand to Costa Rica, countries around the globe are building medical infrastructure and treatment programs to attract patients, who are, in a growing trend, seeking care abroad. Georgia has plenty to attract foreign patients, according to Ketevan Zurashvili, the Chief Specialist of the Department of Tourism Products and Small-Infrastructure Development at the Georgian National Tourism Agency.

"There is a huge interest in medical tourism from neighboring countries. We even provide them with special offers for recovery resorts or other services, depending on what they are interested in. But basically there is great demand for musculoskeletal system and gastrointestinal tract diagnosis, and resort treatments," she told *Investor.ge*. Two percent of the total annual number of international tourists to Georgia come seeking medical treatment, according to the 2013 International Visitors Survey data.

TAPPING INTO THE TREND

Zurashvili noted that in order to

"reach the potential" of Georgia's medical-tourism sector, the country must tap into current trends in the global market.

Currently, the administration is working on spa and fitness community promotion. During the year, they participated in twenty international exhibitions, in the European as well as Asian and Middle Eastern countries, where they present the country's potential.

In addition, Georgia hosts press and information tours. Last year, about 300 journalists visited the country; they traveled and got acquainted with Georgia and sent back materials to their countries about Georgia.

AFFORDABLE, HIGH-QUALITY TREATMENT

Patients from Armenia and Azerbaijan, Russia and Turkey, Israel and the Czech Republic – as well as from many other countries – are already traveling to Georgia seeking treatment for infertility, dentistry, digestion problems and dozens of other issues.

In Vitro, a well-known fertilization clinic in the South Caucasus, has been receiving patients from Europe and U.S. as well more than a decade. The clinic offers high-quality treatments for ICSI, IVF, egg donation, surrogacy, laparoscopic gynecological surgeries, therapeutic and surgical treatments, and all kinds of various other gynecological and reproductive disease diagnoses and treatments.

Dr. Nato Khonelidze, a professor and founder of In Vitro, told *Investor.ge* that Georgia provides an important service for couples seeking infertility treatment.

"Since many European countries don't allow donation and surrogacy, in this case Georgia is a very attractive country. We receive 20-25 international patients monthly," she said.

In addition, patients from the UK, France, Germany, U.S., Australia, South Korea, Romania, Sweden, Norway, Poland, Lithuania, Latvia, Russia, Armenia, Uzbekistan, Kazakhstan, and Ukraine travel to Georgia to receive hair-loss treatments.

Rusudan Buachidze founded Medical Travel Georgia LTD in 2015 to promote Georgia as a medical tourism destination and to make high-demand and high-quality medical care accessible and affordable for international patients.

She began to operate as an inbound medical tourism facilitator and collaborates with Georgia's leading medical centers in all areas of medical tourism, including fertilization, plastic surgery, dentistry, and cardiac surgery.

"We create a comfortable environment for medical travelers who take advantage of medical tourism in Georgia and provide them during their trips with all the necessary and extra services such as organization of pre-consultations, transportation, accommodations, accompaniment to the clinics, twenty-four hour online support, and sightseeing tours," Buachidze told *Investor.ge*.

"Our mission is to create a remarkable experience for each medical tourist."

A Tourist in Time: How Can Georgians Turn Their Soviet Past and Love of Stalin into a Benefit?

HELENA BEDWELL

Several years ago, my friend told me that he found portions of his grandfather's sentencing files from the Stalin-era purges on the tables in the decor of the popular KGB cafe in Tbilisi.

His grandfather was one of the tens of millions of victims of Soviet repression and mass killings, those who were called "enemies of the people." These people, with their families or without, were killed in mass executions, performed by Chekists (from Cheka, secret service). Relatives were sent to Gulags, where hunger and death awaited them.

My friend's family went to the KGB-themed cafe and demanded that the papers be removed from the table display. Their wish was granted, but the question of how to treat Georgia's Soviet past remains.

How many more files like those are misplaced, lost or simply lying somewhere covered in dust?

Thoughts on Stalin in Georgia are decidedly mixed: people seem to be split between ignoring and being ashamed of their past, in an attempt to make it go away, or, on the other side, are overwhelmingly proud of the fact that Stalin was born here.

THE PATH OF POLAND

Why can't Georgia do the same as Poland, Romania, the Baltic countries and Germany? Why are we Georgians not facing our Soviet past in an orderly and constructive manner?

Nikoloz Rurua, a Georgian politician, and a former member of the Cabinet of Georgia, thinks that there is simply no readiness or "will" in Georgian society to do deal with its Soviet past.

He argues that even movies and documentaries are not made to enlighten the public. One exception is the famous film "Repentance," but critics argue the movie was too fake, sad and disturbing— too far from reality to make an impact.

Rurua, who established the Museum of Soviet Occupation in 2005, tells a fascinating story of how Russian President Vladimir Putin reacted with he learned about Tbilisi's plans to open the museum during then-President Mikheil Saakashvili's visit to Moscow.

While Putin considers Russia as a full and rightful heir of the Soviet Union legacy, the former Georgian government took drastic steps to awaken the wounds of Soviet repressions by creating the information-packed occupation museum inside the National Museum in the capital, Tbilisi.

The Georgian government also renovated the museum in Stalin's home town, removing his statue from the city center.

Putin was reportedly outraged at the name of the Museum of Soviet Occupation, which Rurua took as a compliment.

He says the conversation between Putin and Saakashvili— two fierce opponents— neatly summed up Georgia's decade-long attempt to break away from its Soviet past.

"Why call it a Soviet occupation museum? Georgians were among them, too," Putin reportedly said.

"Then why don't you open a museum of Kremlin occupation by Georgians?," Saakashvili replied.

A VAST POTENTIAL

There is vast potential to conduct countrywide tours around Georgia, where history lies deep in the ground in the form of mass graves and in the former NKVD (the precursor to the KGB) buildings and cellars that are falling apart—or being torn down— without any attention from the government.

In addition, the Gulag system existed not just in the cold, harsh Russian climate but also in Georgia— slave labor and camps all had their own history here.

While the current government has been criticized for appearing too concerned about Russia's feelings to dig up the past, other former Eastern Bloc countries have turned similarly painful legacies into a learning tool, and a draw for tourists.

Tourists want to see such places.

At the moment, there are only the Occupation Museum and Stalin Museum to visit; they are not satisfying demand. On the same note, there is a desperate need for in-depth education, for students and schoolchildren to visit such places, as the school curriculum provides little information about Georgia's tragic past.

It's not surprising that, until now, only foreign writers, such as Simon Sedbag Montefiore, Robert Lafonte, Lawrence Scott Sheets, and others, have carried out detailed research work on Stalin.

Are Georgians unable to judge their own past the way other post-Soviet, Eastern European and Baltic peers have done? Do we need to wait for the next generation, those who have no memory of a Soviet childhood or connections, for an objective policy?

The archives of the Ministry of Internal Affairs are certainly the first stop for any person interested in the details of the Soviet terror.

I have visited several rooms at the Ministry, which are packed with very informative materials, but are sadly not open to the public without special notice or permission from the authorities. While Russia descends into amnesia over Stalin and the Soviet past, Georgia's KGB archive from 1921-1990 is online in a searchable database as a vital act of memory. Cheka orders and files of those persecuted are available on website, but those who wish to look further and scan documents need to apply for permission.

The display documents date from the reign of Georgian royalty and the so-called Amirspasalaris—the royal servants who managed military forces—and continue up to the modern police force of today.

Georgia was occupied by the Soviet army in 1921— a small, happy republic terminated and overrun without a chance to defend itself.

The Ministry's displays include archival footage and black-and-white pictures of the Soviet army entering Tbilisi, already foreshadowing the dark future ahead as they marched through the city's streets, posing with the dead—those who perished in the unbalanced fight just outside the capital, Tbilisi—a sign that the cleansing of the so-called "enemies of the state" had begun.

The archives document the transformation of the Georgian police as well: in one room there is a tall mannequin wearing a sharp-cut leather jacket, a familiar look for the Chekist, who brought terror to the streets and minds of the newly created Soviet republics.

On the table of Lavrenti Beria, the notorious head of the NKVD, killer and sex predator of those times, his ink blotter still bears the marks of those he sentenced to death. His large table is topped with green marble, a sign of his power and wealth. Everything, from the table to the typewriter of the secretary who typed his murderous decrees, smells of blood and fear.

The key to could be Beria's boss, Stalin himself: sadly, even mass murderers have their fans, and there are plenty of such fans in Georgia.

Statues erected to the former leader and local son are scattered around the country, and there are personal collections and mini-museums, which could be open to public if arranged.

TERROR STREETS

Some groups are already trying to use what remains in the public domain to educate tourists and locals alike about Georgia's tragic past.

Irakli Khvadagiani, who joined this effort, has worked on a Soviet Past Research Laboratory project entitled "Red Terror Topography," information about which can be found at sovlab.ge. The project "develops routes of repressions and terror in the center of Tbilisi (Sololaki-Mtatsminda district) and prepares educational programs, based on archive and library materials, memories and oral histories," according to the website.

I was told that the history of one of my favorite old streets in Tbilisi, Machabeli and Ingorokva, provides a real sense of how terror spread in those days, as the purges seem to have touched nearly every building.

Khvadagiani worries, however, that the group's six years of work has failed to make a major local impact because their support mostly comes from the West and their work is largely based on Western experiences. But the work of Sovlab, even with its regular tours of sites in Tbilisi, is too little to cover the entire history of the Soviet terror.

Government participation and help is crucial, especially when it comes to the main evidence, such as houses, cellars and routes, used by the repression machine, which now require protection from possible destruction due to age or investors wanting to "renovate" the historic areas.

"There is one such amazing house, in a terrible state, where the cellars were used as prison cells, which includes isolation chambers still bearing the writings on the walls of those prisoners, untouched," Khvadagiani said. "No one thinks to preserve those places for the future," he added.

The slowing building boom in Tbilisi's historic quarters has provided the organizers of those tours time to raise awareness. They have reached out to President Giorgi Margvelashvili to help save his own childhood home, as the building once housed a NKVD detention cell, and holds invaluable history of the people who were held there.

GEORGIA: CREATING A PREMIER TOURISM DESTINATION

KPMG RECENTLY PUBLISHED A OVERVIEW OF THE GEORGIAN HOSPITALITY SECTOR. THE SUMMARY HIGHLIGHTS THE TOURISM INDUSTRY'S STEADY GROWTH AND HIGH EXPECTATIONS, AS WELL AS THE GOVERNMENT'S PLANS TO CONTINUE DEVELOPING GEORGIA AS A PREMIER, ALL-YEAR DESTINATION. INVESTOR.GE SUMMARIZED THE MAIN FINDINGS; THE COMPLETE REPORT IS AVAILABLE AT KPMG'S WEBSITE, WWW.KPMG.COM/GE.

GROWING SECTOR

The KPMG report, which is based on information from interviews with hotels as well as other sources, highlights the rapid growth of the hospitality sector — including hotels, restaurants and catering — (HORECA) in Georgia.

Two percent of Georgia's total GDP came from the HORECA sector in 2015, according to official data.

The number of international arrivals to the country is now growing faster than the world rate, according to data from the UN World Tourism Organization and the Georgian National Tourism Administration.

From the KPMG report: "A comparison of global growth rates with those that of Georgia showed that during the last five years international arrivals in Georgia increased considerably faster than in the rest of the world. The number of tourists traveling internationally throughout the world was growing at a steady rate during recent years."

The report found that most visitors are coming from neighboring countries, predominately Azerbaijan and Armenia (24.9 percent and 23.6 percent respectfully), with Turkey as a close third, trailed by Russia and Ukraine.

July, August and September are the peak times for visitors, according to the report.

Most visitors are coming to see relations, the report found: "The majority (54 percent) of domestic visits were carried out for the purposes of visiting friends/relatives, followed by 11 percent for shopping trips, 10 percent for health and medical care, and 8 percent for holiday, leisure, and recreational purposes. All other types of travel made up 17 percent of domestic travel."

KPMG found that most visitors are opting to stay in hotels (65 percent), followed by hostels (18 percent) and apartment rentals (11 percent). The report noted that in the peak season, hotels had an 84 percent occupancy rate in 2015, compared to 53.7 percent in the low season.

Visitors are mainly travelling to Tbilisi and Imereti during their time in Georgia, the report said, citing data from the Georgian National Tourism Administration.

2025: "PREMIER, YEAR-ROUND, HIGH-QUALITY TOURISM DESTINATION"

The report also highlighted the government's strategy to develop the tourism sector in Georgia, with the goal of creating a "premier, year-round, high-quality tourism destination" by 2025:

- Create unique, high-quality visitor experiences;
- Improve air access from high-spending markets and internal transport networks to facilitate the free flow of visitors to and within the country;
- Improve data collection and market research capabilities in order to better ascertain the demands and preferences of higher-spending markets;
- Use the above research and marketing resources to more effectively target and communicate with these higher spending markets;
- Improve visitor services, from transportation to accommodation;
- In addition, the GNTA expects the number of international visitors to reach 11 million. It also expects the level of receipts from tourists to amount to USD 5.5 billion, representing a 6.7% contribution to GDP, and for the number of Georgians employed in the sector to increase by 85%, to reach 333,564.

High Expectations for the 2016 Tourism Season

INVESTOR.GE ASKED MEMBERS FROM THE HOSPITALITY SECTOR ABOUT THEIR EXPECTATIONS FOR THE UPCOMING TOURISM SEASON.

"Hotel Continent Cron Palace Tbilisi is ready and also hopes that this year there will be even more demand for MICE tourism than before. The hotel has all the resources for all types of event services. In addition, we are optimistic that the number of both individual and group tourists will increase — and that there will be more tourists from many different countries, and Georgia will become an even more recognized destination for world travelers. "

Hotel Continent Cron Palace Tbilisi

"Since Crowne Plaza Borjomi opened at the end of December 2015 there is no previous-year data with which the performance of the hotel could be compared with. However, judging by demand, interest ,and already secured business, we are up for a successful first summer season."

Crowne Plaza Borjomi

"For the 2016 season Adjara Group Hospitality expects large groups of guests from Israel, Iran, and Russia. We will also gladly host a new segment at the soon-to-be-launched "Fabrika Hostel". In addition, the group forecasts an intensified demand for conference spaces from the corporate side due to the upcoming elections this fall."

Adjara Group

"For 2016 tourism season, we hope that Georgia will be able to attract more tourists and business travelers from Europe. Unfortunately, until now, the awareness of country's tourism and business capabilities are not advertised or known to the majority of EU customers. Based on Georgia's active development of tourism sector, it is essential to attract more travelers. "

River Side Hotel

"Considering the increased competition in recent years, we welcome the initiatives and promotional activities of GNTA and the Government, and expect a strong boost for Georgia Leisure Tourism, as well as positive influence on foreign investments and developing business tourism."

Tiflis Palace

"A twice daily flight from Tbilisi to Batumi is essential; so far in 2016 there have been none. Twice weekly Charter flights from Tel Aviv make it easier to get to Israel than the Georgian capital. Thankfully, the season is looking strong, with May delivering outstanding occupancy. We expect this season to October to be strong, with Leisure. MICE filling September and October."

Hilton Batumi

"We have strong expectations due to the overall growth of incoming tourist numbers, especially from neighbouring countries. Even though many hotels are under construction, supply is still limited. We expect an influx of Asian travellers due to Silk Road positioning of the country and the increasing support of the government in the development of tourism."

Shota Rustaveli

Keeping Workers on the Job: The keys for bolstering job satisfaction at Georgian SMEs

WHILE WRITING HER MASTER'S THESIS ON ORGANIZATIONAL CULTURE IN GEORGIAN BUSINESSES, TAMAR MEGRELISHVILI, THE EXECUTIVE DIRECTOR OF PROSPSERO'S BOOKS AND FOUNDER OF PROSPERO B, FOUND BUSINESSES WERE STRUGGLING TO UNDERSTAND THE MOTIVATIONAL ISSUES INFLUENCING PEOPLE BOTH AT WORK AND WHILE APPLYING FOR JOBS.

TAMARA MEGRELISHVILI

I became interested in about motivational issues in SME (small-and medium-sized enterprise) culture a decade ago when receiving numerous amounts of job applications at my family–owned business. I noticed that there was an established vulnerability in the Georgian business sector due to a lack of labor resources, wage competition and the market's small size. It was not hard to notice that small organizations were struggling to find the best motivational incentives to reduce employee turnover. Businesses mostly lacked skilled labor and their HR departments were having trouble keeping employees happy while complying with organizational demands. It was clear that Georgian companies needed to understand how to motivate human capital in order to reach their full potential.

A NEW APPROACH TO MOTIVATION MANAGEMENT

SME sustainability can be improved by implementing long-term labor strategies in Georgia but there is a challenge: gaps exist between Western management principles and Georgian local practices.

The vacancies at Georgian companies are filled by reducing employee turnover and implementing retention programs that do not affect employee motivation or job satisfaction, which is why using Western management methods and theories often fail in Georgian companies. In addition, Georgian managers are not familiar with the root causes job (dis) satisfaction, and public opinion also holds that increasing income or status yields improved performance.

INDIVIDUALISM VS. COLLECTIVISM

There are different factors and issues that have had a lasting impact on internal work relationships.

First, Georgian culture does not give extra weight to strategic planning and focuses on current problems rather than future planning at work. A legacy of Georgia's Soviet past is that companies rarely developed future strategies and only deal with the problems as they emerge.

Second, many issues arise in attempting to formulate healthy teams in a manner that disregards individualistic goals. Georgian culture has the natural tendency to build teams, which assign collective interests to individuals as their responsibilities.

Another issue is the tradition of rule breaking and violating disciplinary norms inside of an organization, which disrupts company procedures, policies, and performance. In Georgian society, the most popular manager is the one who fights regulations and allows more freedom.

All of these issues create a complex work environment. It is challenging to identify and apply the proper motivation. But companies that fail to do so struggle to develop to their full potential.

WHAT DO GEORGIAN EMPLOYEES WANT?

Retention programs can help motivate staff to complete tasks that bring extrinsic and intrinsic rewards. For instance, a career is sometimes considered an extrinsic motivation due to (money, rewards, status) but it can also be intrinsically motivating, if it creates enjoyment and job satisfaction.

Extrinsic rewards– both in terms of forms of rumuneration (compensation, benefits, rewards) or benefits (recognition status, merchandise and travel) – are typically used as a scorecard to measure the degree a company appreciates an

employee. However, intrinsic motivation can be the most powerful motivator.

Georgian managers put a lot of thought into employee retention strategies but fail to apply different motivations to the different stages of an employee's career. It is important for management to understand what their employees want.

So, what do Georgian employees and managers prefer in the long run? Extrinsic motives (salary, prestige, status) rather than intrinsic motivators (recognition, a sense of accomplishment) due to the economic conditions in the country? Or both intrinsic and extrinsic motivational incentives?

SALARY VS JOB SATISFACTION

Employee motivations were examined through questionnaires. 172 organizations (161 small-and medium-sized enterprises and 12 large organizations) were chosen from private and public sector organizations.

Also, 3000 job seekers, SME employees and top or mid-level managers participated in this questionnaire. Among them, 81percent were women and 19 percent were men. Nearly half – 43 percent – of the respondents had never worked, while 57 percent had previous work experience.

The interviews showed that Georgian companies focus on extrinsic motives to retain employees, particularly salaries, but that falls short of employees' expectations.

Despite high salary and motivational programs, some managers complained that they could not achieve the engagement level and job satisfaction they desired among the employees, while others noted that focusing on intrinsic motivations at the workplace gave rise to equity issues among employees. This situation is an indication of the imbalance of extrinsic and intrinsic motivations in the Georgian companies: management focused on the rate of retention rather than job satisfaction.

To gain an understanding of their underlying motivations and rationales, the respondents were asked additional questions to have them describe how they view themselves as employees as well as their preferences in terms of team members and bosses.

Out of the young respondents, 22 percent focused on their sociable and communicative skills while 51 percent described themselves as lazy. Mid-level employees said they characterized themselves as responsible and hardworking. They also said they wanted to be part of a "good team" – happy, communicative co-workers with strong internal relationships.

SME sustainability can be improved by implementing long-term labor strategies in Georgia but there is a challenge: gaps exist between western management principles and Georgian local practices.

All the respondents wished to work with fair and professional manager with a supportive, good attitude. Other motivators, including those related to "Stable Work", "High Salary" and "Location of Workplace" were in least important priorities for the young potential employees.

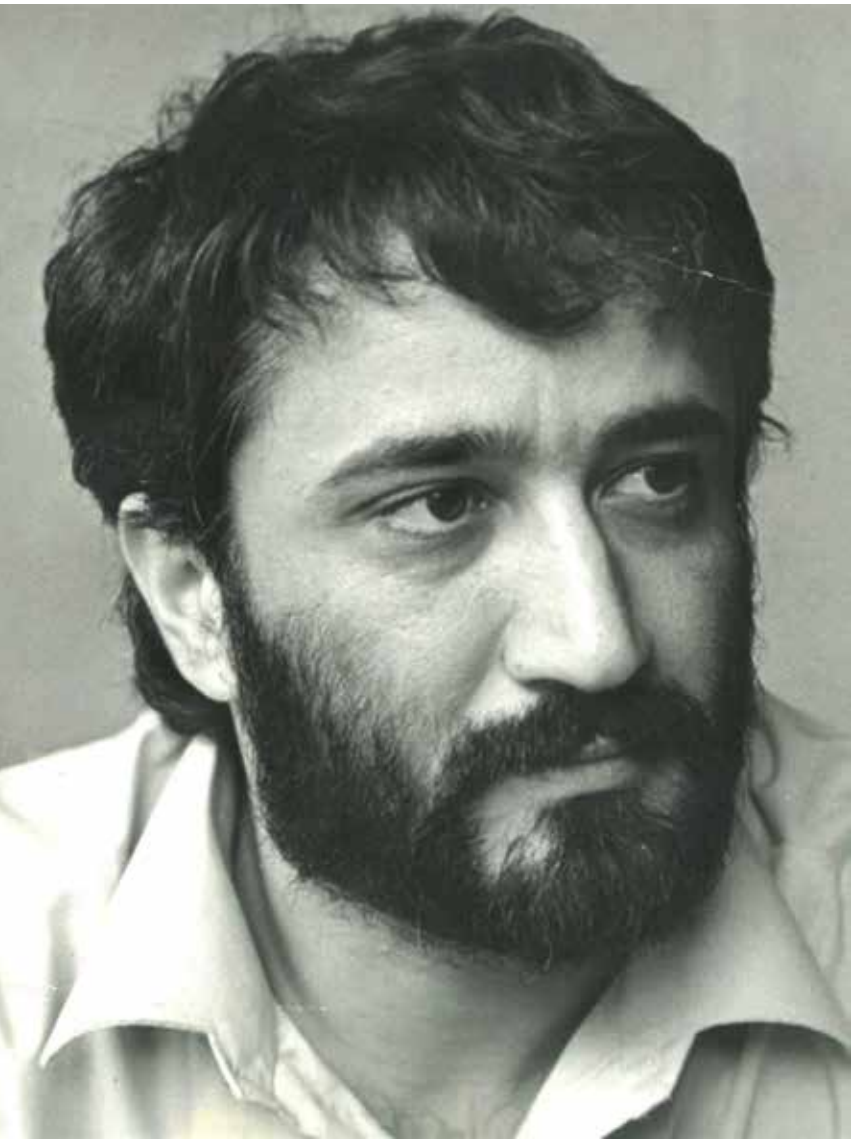
This explains several factors that affect Georgian organizational behaviors. First, since Georgian organizational culture mirrors the national culture, Georgian culture requires different human resource techniques and bonus-system approaches.

Second, another aspect that influences Georgian organizations is the cohesiveness of the collectivist culture. Many Georgian employees at SMEs desire to work in a company as a part of "good" teams, and prioritize that over high-salary and stable work. Third, demographic factors and need play a large role in Georgia. The difference between goals and motive depends on age. Senior employees prioritize their financial rumuneration, while Georgian young applicants give priority to being part of a motivated team and place less emphasis on financial reward.

In conclusion, Georgian culture has strong characteristics in terms of masculine, in-group collectivism with significant internal cohesiveness. This factor has a tendency to formulate natural interpersonal relationships. Such relationships propagate group security (stability) rather than the goal of the organization or individual interests. Furthermore, employees view extrinsic and intrinsic motivators differently at different ages. At an early professional age, belongingness and love (as extrinsic) and self-realization (as intrinsic) are the priority; whereas later in their professional development, employees better relate to financial and recognition incentives for motivation. It is a misconception that financial motivation is the dominant factor in Georgian organizational culture. The findings revealed that both extrinsic and intrinsic motivators are equally motivating for employees and valid if used together. Only a strategy built on equal extent of usage of extrinsic and intrinsic motivation can resolve motivational issues in organizations and, in the long run, led to happier and more productive employers and employees.

Merab Abramishvili, An Artist and His Tigers

AN EXHIBITION AT THE MUSEUM OF MODERN ART HONORED MERAB ABRAMISHVILI, ONE OF GEORGIA'S MOST UNIQUE AND INFLUENTIAL PAINTERS, WHOSE ARTWORK FEATURES IN COLLECTIONS AROUND THE WORLD.



Merab Abramishvili

Abramishvili loved untamed beasts – in his mind, panthers, leopards, and tigers were mystical creatures of unparalleled elegance.

MONICA ELLENA

A slender, majestic tiger is set against a lush, exotic garden with elaborate lace-like foliage – its gaze wandering into the distance, its mauled victim lying at its feet, lifeless. The *Maneater of Kumanon* is one of Merab Abramishvili's most magnificent works, one of many in which the late Georgian artist painted, expressing his wonder with wild animals.

Abramishvili loved untamed beasts – in his mind, panthers, leopards, and tigers were mystical creatures of unparalleled elegance, in his canvas their savage strength would fuse with divine beauty. The Georgian painter read early on the "Maneaters of Kumanon," a book in which hunter-naturalist Jim Corbett details his life in the Kumanon region of India from the 1900s to 1930 while hunting man-eating tigers and leopards. And Abramishvili was deeply impressed by the book. "Merab loved that book and all his life dreamed to travel to India," recollects Baia Tsikoridze, an art historian, gallerist, and the artist's long-time friend. "He used to go to the Tbilisi zoo and stare at the tiger for hours, lost in its wild beauty. Once he tried to embrace it and his sweater ended up in shredded," smiles Tsikoridze, whose portrait Abramishvili painted in the early 1990s.

GEORGIAN FRESCOES' MAGIC

Born in 1957 in Tbilisi, Abramishvili was well-versed and steeped in Oriental mysticism, paganism, and medieval Christianity, and created a vast range of work seeking to synthesize these varied spiritual experiences. He explored them all over again, producing various renderings of the *Paradise*, the *Garden of Getsemani, the Arcangel Gabriel*, as well as various scenes of Christ's life and his beloved beasts.

His father, Guram Abramishvili, was an expert in Georgian medieval art at the Museum of Fine Arts in Tbilisi and exposed Merab to Georgian frescoes, Oriental antiquities, and Persian miniatures from an early age. He studied the frescoes of the 7th century Ateni Sioni Church near Gori, and was deeply fascinated by them. As he started his formal education in the early 1970s, Alexander Bandzeladze, one of the Soviet Union's leading artists, encouraged the young Merab to develop his own style. He certainly did – Merab went on to create a unique visual language and transported to canvas and plywood the gesso technique from the frescoes he loved. He would hand prepare the plastered grounds and paint it with tempera, washing it off and repainting the surface several times – the translucent color palette and the resulting dream-like became his trademark.

"He was a perfectionist; he would totally lose himself in his art while caught in his creative impetus. He was also a sensitive soul who struggled with life's

challenges, and sought refuge in the mystical imaginary," explains Tsikoridze.

At the end of the 1980s, the Soviet Union started descending toward its meltdown – political, social, and economic instability surfaced and became paramount in the 1990s in newly independent Georgia. Art critic Nino Shervashidze wrote that "the generation of the artists from the 1980s juxtaposed their own constructed worlds against aggression, political instability, and socio-economic uncertainty. Perhaps as a result of such escapism, painting in Georgia experienced a revival not seen since the 1960s. Abramishvili's practice can therefore also be read as a type of resistance of hopefully striving for a better future."

RENEWED SUCCESS

In the rough-and-tumble decade of the 1990s, selling works of art was not enough to earn a high income, and Abramishvili paintings would sell for less than $1,000. Those times are gone. In 2013, the auction house Sotheby's organized "At the Crossroads," its first exhibition focusing on the post-Soviet orbit's art: Abramishvili's *Maneater of Kumanon* was sold at a stellar GBP 35,000 (USD 50,272). The following year, the auction house placed Abramishvili's *Piano* at GBP 25,000.

"Prices depend greatly on the painting's size and the period, but they can essentially vary between $6,000 and $30,000," explains Tsikoridze, who, along with the artist's family, organized the most comprehensive exhibit of Abramishvili's work. The exhibition helped track down unknown work – about 40 percent of the paintings included in the catalogue were a surprise for the curator, since they came from private collections.

"My family owns many paintings and we receive requests from collectors very often, but we don't sell them," Levan Abramishvili, the artist's son, explained to *Investor.ge.* Levan is a painter himself, as is his sister Ketevan.

"We sell them only through auctions, as they help to strengthen his name and popularity."

AMCHAM

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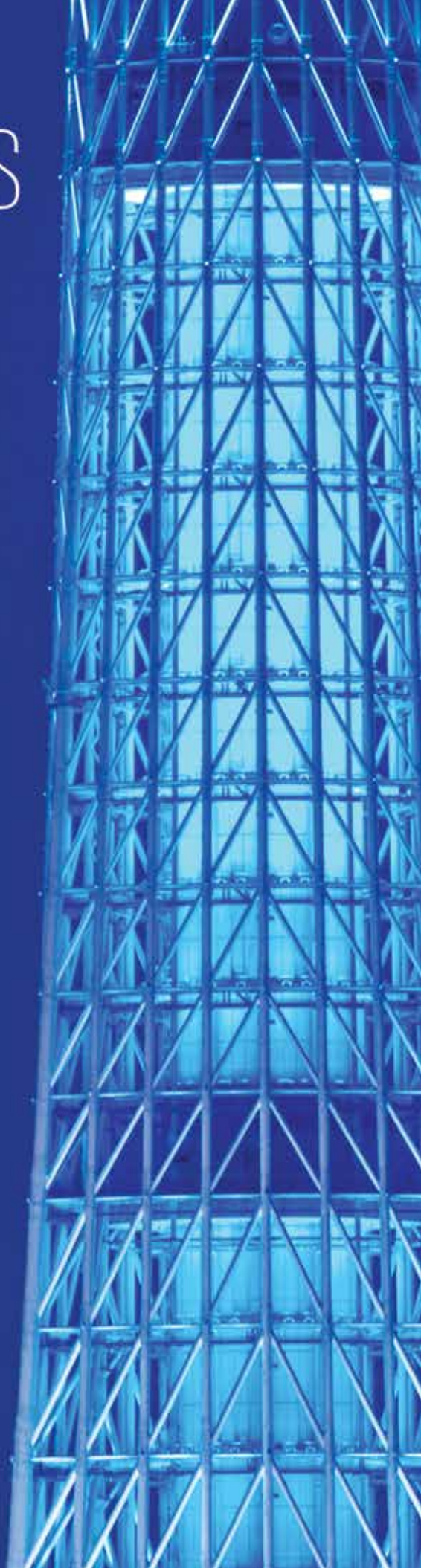

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AMCHAM TRIP TO DC TO MARK THE 25TH ANNIVERSARY OF GEORGIAN INDEPENDENCE

From the 23rd to the 26th May, the American Chamber of Commerce in Georgia took a delegation of US companies to Washington DC to mark the 25th Anniversary of Georgian independence. The purpose of the meetings was to give think-tanks and legislators in Washington the perspective of businesses in Georgia. The group highlighted the incredible successes that Georgia has achieved in the last 25 years, and its continuing trajectory of impressive reforms. In particular, they used the trip to highlight that in economic reforms, democratic development as well as market and Western-orientation, Georgia remains the lead reformer and America's key strategic ally in the region. Following on from this, the group discussed the need for continued US support for Georgia and suggested a range of ways in which this support can be expanded.

As Sarah Williams, President of AmCham, pointed out, 'We felt that it was important to travel to Washington at this time to help ensure that the Georgia success story is not overshadowed by other problems in the region. We wanted to stress that not only does Georgia continue to be the best reformer in region but it is also America's most reliable ally and supporter'.

The delegation was led by AmCham President Sarah Williamson and first Vice President Michael Cowgill. It included George Welton, Executive Director of AmCham, Chris Schleuter, BP Head of Country, Georgia, Andrew Coxshall, Managing Partner, KPMG, Georgia, Ken Walsh, Dean of San Diego State University, Georgia and Nicola Mariani, Partner, Dechert.

The delegation had 47 meetings in the 4 days, including meetings with think tanks, the State Department, the Office of the US Trade Representative, Congress and Senate. We even met with former US Secretary of Defense, Donald Rumsfeld, who is bringing over 100 Rumsfeld Fellows to Georgia in June. The level of interest in our trip was so high that the

group had to split into two so that we could meet enough people in the time.

'The Representatives and staffers, both in the house and in the Senate, were extremely interested to hear the perspective of US businesses in Georgia. We went with the desire to help draw more attention to Georgia and found a willing audience of legislators who were eager to help', said George Welton, Executive Director of AmCham.

Of course, the focus of our discussion was on economic and business issues. The Representatives were particularly interested to hear about Georgia's continuing work to develop its status as a Silk Road Hub and with the DCFTA implementation moving forward, as an access point to the EU. We, of course, highlighted the important role of US companies in this development including with the improvement of pipeline, road, port, electricity distribution and transmission infrastructure.

We highlighted the importance of existing US-support, from the US Embassy, USAID, the Millennium Challenge Corporation, Department of Commerce and many others. But we also highlighted how crucial cultural and educational relations have been and continue to be, through educational exchanges like Flex, Muskie, Ugrad and Fullbright, military training and the on-the-ground engagement of Peace Corps and others.

In addition, we pointed out that America needs to maintain continued high-level connections at a government level. As everyone in Georgia knows, Georgia looks better 'close-up' so we strongly encouraged the Representatives to visit Georgia as an expression of support, to allow us to show Georgia's famous hospitality and in order to see the successes close-up. Quite a few of the Representatives we met said that they would visit and we look forward to hosting them in the near future.

Meeting with Susan Davis, Representative California

We also used our trip to support legislators on the US-side. Representative Poe and Representative Connolly, who head the Georgia Caucus, have put forward House Resolution 660. This resolution condemns Russia's military intervention of Georgia and calls Russia to withdraw and fulfill the terms of the August 2008 Ceasefire agreement. In all of our meetings we encouraged representatives to sign the legislation and, with our support, the resolution secured enough signatures that it was able to move through the committee process.

Finally, we stressed our willingness to act as a resource to US legislators and Georgia-interested researchers. We were told by many that we were considered a valuable source of information, as US-companies, because we have a politically unbiased, long-term and close-up understanding of what is happening in the country.

We, therefore, intend to maintain these connections and continue our discussions in the future, and feel that we could become a key source of information for Americans trying to understand Georgia.

Meeting with Luke Murray, Foreign Policy Advisor to Representative Ted Poe Texas

Tsulukiani Details Justice, Rule of Law Reforms

AmCham Georgia hosted a Member luncheon with Minsiter of Justice Thea Tsulukiani on April 6, at Radisson Blu Iveria Hotel.

Ms. Tsulukiani presented a summary of the historic and ongoing judicial and rule of law, reforms that have taken place since the Georgian Dream Coalition came to power. She particularly emphasized the importance of the separation of government and politics that she has strived to create. The Minister also informed attending member company representatives about recently opened Public Service Halls in the regions of Tbilisi and invited attendees to come to future openings.

The presentation was followed by a lively Q&A between members and the Minister.

Chamber Hosts U.S. Strategic Partnership Chairs

On 11 April 2016, AmCham Board of Directors hosted a dinner with the Co-Chairs of the Economic, Energy, and Trade Working Group under the Georgia-U.S. Charter on Strategic Partnership, Principal Deputy Assistant Secretary of State Kurt Tong and Assistant Administrator of the U.S. Agency for International Development (USAID) Thomas Melia.

The meeting was also attended by Science and Technology Adviser to the Secretary of State Vaughan Turekian and US Embassy and USAID representatives.

Education Minister Spells out Reforms

Then-Education Minister Tamar Sanikidze discussed the latest reforms with AmCham members at the monthly roundtable meeting at Tbilisi Marriott Hotel on May 18, 2016.

Nicholas Berliner, Deputy Chief of Mission of the US Embassy opened the meeting with a political- and economic-environment review. Ms Sanikidze also spoke about public -private partnership in education sector.

Both presentations were followed by dynamic Q&A between AmCham members and the presenters.

IRI's Andrea Keerbs Presents Political Polls

AmCham Georgia hosted a Member luncheon with Andrea Keerbs, Georgia Resident Country Director for the International Republican Institute (IRI) on May 3, at Holiday Inn. Ms. Keerbs presented about IRI's Georgia Public Opinion Survey, March 12–April 2, 2016. The poll includes questions on a range of social and public policy issues, including the economic welfare, corruption perceptions, government reforms, etc. The poll also aims to measure the support of political parties in today's society. AmCham members asked questions and debated about the survey results following the presentation.

Happy Hour with AmCham!

On April 14 AmCham hosted Kenneth Angell, Director of the Finance Department of the Overseas Private Investment Corporation (OPIC), who prsented on the topic of OPIC's activities in Georgia, the process of applying for an OPIC loan and the opportunity that it can represent to qualified members.

The presentation was followed by a Cocktail Happy hour, where members had an opportunity to reconnect with each other.

TOURISM COMMITTEE OPEN TO ALL HOSPITALITY MEMBERS

The AmCham Tourism Committee decided to open the group to all members who work in hospitality business at the May 6 meeting. The Chair of the Committee Andreas Heidingsfelder encouraged the discussion to identify new challenges and the ways of resolving them.

RUSUDAN KBILASHVILI TO LEAD CSR COMMITTEE

Rusudan Kbilashvili, from the Wissol Group, was named CSR Committee Chair at the May 19 meeting.

The Committee is now focusing on three issues:

- environmental issues (particularly waste, recycling and trash clean-up)
- volunteerism
- disability employment

NEW MEMBERS

GMS Ltd.
Corp A

GMS Group is a group of health care companies. Main directions are medical supply and technology distribution; turn key projects, operation and management of hospital sector.

www.gmsgroup.ge

Orient Logic Ltd.
Corp A

Orient Logic offers wide range of enterprise servers and server solutions from world leading manufacturers such as DELL, HP and SUN. View specifications and choose the correct server configuration based on your application and server environment using convenient tools & links.

www.orient-logic.ge

Action Global Communications Georgia (Action Georgia)
Corp B

Action Global Communications is a strategic communications consultancy established in Nicosia, Cyprus, in 1971. The company network links more than 40 countries in Central and Eastern Europe, the Balkans, the Baltics, Russia, the CIS countries, Central Asia, the Middle East, North Africa and the Eastern Mediterranean. The Georgian branch of the company was established in 1996 as one of the first PR agencies in the country. The company prides itself as leader in the evolution of the local communications industry, being the first agency to introduce press release distribution and media relations and events as a means for local companies to connect with audiences. The team has longstanding and widespread relationships with local media, and is a respected source of newsworthy information. Years of experience in the local market mean that Action Georgia is best placed to offer clients comprehensive strategic communications campaigns that will help to achieve their business objectives. Furthermore with intimate local knowledge and insight into the Georgian market, the company is well placed to develop comprehensive strategies that capitalise on the rising popularity of the internet, social media and digital platforms.

Funded by ENPARD – a European Union Programme supporting Agriculture and Rural Development

Since 2013 Action Georgia is contracted by the European Commission to implement the Communications Unit for European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) in Georgia. The goal of the project is to inform Georgian citizens and the international community on EU support to and achievements in agriculture and rural sector reform in Georgia, as well as on alternative development and improvement of livelihoods in rural areas through the ENPARD programme. For more information visit www.enpard.ge.

www.actionprgroup.com

Continent Cron Palace Hotel Tbilisi
Corp B

Continent Cron Palace Hotel is located in the picturesque central district of Tbilisi – Ortachala. Cron Palace will open you wonderful views of Tbilisi. Restaurant, bars, spacious spa-center, that includes swimming pool, sauna, hamam and sport complex – these are just few places at the hotel that give you the opportunity to relax during your stay in Georgia. Highly professional team is always at the guests disposal.

www.cronpalace.com

NEW MEMBERS

Gloria LLC
Corp B

The hotel "Tiflis Palace" offers to the guests the opportunity to enjoy the unique combination of facilities and advantages one can offer in Tbilisi. Only "Tiflis Palace" features all in one:

- an ideal location in the heart of old city center - the hotel is located in the legendary place of city's foundation, just next to the famous Sulphure Baths, and is surrounded by the most important tourist attractions and popular entertainments;

-the best picturesque and breath-taking views - the hotel features the most beautiful and stunning panoramic views available in Tbilisi, presenting to the guest an unforgettable picture of the ancient city with its labyrinths of narrow streets and old style Georgian houses with wooden balconies, beautiful riverside of Mtkvari, historical and cultural heritages like the Narikala Fortress, the Metekhi Church and the famous Sulphure Baths combined with examples of modern architecture such as the Peace Bridge, the Presidental Residence and the House of Justice;

- international standards of service quality;

- attentive professionals with a passion of hospitality.

www.tiflispalace.ge

LSG Ltd. (Taxi Prius)
Corp B

Taxi Prius company was founded in 2009. Each stage in the development of the company sought a customer-oriented steps. At this point a taxi Prius is the fastest growing company in its segment. In November 2014, fleet was equipped with "HALLE" - the latest accounting systems, which allows for maximum control of each trip and a tariff accuracy. Allows the user to travel to and interpreted in accordance with the requirements of the report provided to the customers. At this stage, the company owns 40 cars. The company owns only Prius Toyota vehicles, the color yellow, our brand-specific packaging. 2017 is planned to open in the representation in Batumi, it will be the first phase of the company's presence in all major regions of the establishment.

https://www.facebook.com/TAXI-PRIUS-591539254219760/

Shota@Rustaveli
Boutique Hotel
Corp B

Set in the center of Tbilisi few steps away from the Rustaveli Avenue, Shota@Rustaveli Boutique Hotel offers exceptional experience to its visitors, 38 stylish rooms are designed to ensure the comfort and tranquility. The state of the art fixtures and exquisite room amenities allow gusts to enjoy every moment spent in the room. Restaurant Il Melograno and a SPA with small indoor pool creates perfect urban retreat in the heart of business and cultural center of Tbilisi.

www.theshota.com

Alliance for Progressive Healthcare
NP

The members for APH include: individual professional, pharmaceutical distributors, hospital groups and standalone clinics, pharmacy chains and E-medica as an electronic commerce for medicines and medical disposables. APH will use best practices from the developed countries' healthcare industries to make pharmaceutical goods and services more affordable for the Georgian people. In addition, it is APH's goal to come up with the initiatives to improve the current legislation in Georgian healthcare industry. All of the APH's actions are aimed at helping the current Georgian healthcare business environment more fair and competitive.

Women Wellness Care Alliance Hera
NP

Women Wellness Care Alliance HERA is a nonprofit organization established by women health professionals in 2000. Their vision is to see breast cancer eliminated as a life-threatening disease. HERA is a driving force to bring breast cancer early awareness, early detection and screening, and psychosocial support to every woman who deals with breast cancer. In Georgia, HERA pioneered the breast cancer footrace to bring public attention to breast cancer and eliminate stigma around this disease.

www.georgiarace.com

Mr. Donohue, Colin
Individual

NEW OFFICE FOR TBC LEASING

Leasing is a multi-billion industry in the modern world. 80% of companies in developed countries use leasing as a source to invest in fixed assets. Even though the business emerged a decade ago in Georgia, it is already developing dynamically. According to 2015 data, the Georgian leasing market portfolio has reached more than 115 million GEL which is a 450% growth since 2010. More and more SME companies purchase equipment, cars, trucks or other assets through leasing.

TBC Leasing is serving up to 600 clients and managing more than 1,300 contracts signed with them. Sectors financed by the company cover medicine, light industry, printing, transportation, food and beverages production, service, trade, construction and agriculture all over Georgia. Even though the clients' list includes many large companies, the main mission of TBC Leasing is to make it easy for small and medium-sized enterprises to invest in capital assets. That is why the company is actively participating in government projects, like "Produce in Georgia." On the other hand it has simplified car-financing procedures and thus has improved partnerships with almost all official dealers in Tbilisi. By now any new car can be purchased in just a day by both individuals and legal entities. Even more products are to be launched throughout upcoming years. TBC Leasing regularly publishes success stories of their clients on their own web-page (http://tbcleasing.ge/ge/our-projects).

Behind the success of the leasing company stands a motivated, talented and success-oriented young team. Constant investment in their employees' personal and career development is the key to achieving all goals. By now TBC Leasing holds 72% of the leasing market and is growing its portfolio annually. The company faces a lot of challenges and always strives for innovation and the development of new products.

As long as demand for their flexible products is growing and small and medium business units are developing, more and more resources are needed to adequately meet the demand. TBC Leasing is the team of more than 40 people, and, therefore, a new office became a pleasant necessity for several reasons: creating a comfortable and relaxing working atmosphere for employees and offering more space for meeting with clients and partners. Thus, TBC Leasing moved to a new office on Chavchavadze Ave. 80 with a grand opening ceremony on the terrace of the new building.

The new marketing strategy is oriented on as much direct communication as possible. Events are planned in the capital city and regionally throughout the year with the aim to meet potential clients, offer the leasing services and build new partnerships gradually. Inviting clients, vendors, partners and stakeholders to the office opening ceremony – their first ever big event – was the first successful step to fulfilling this strategy.

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According to recent worldwide market research, RSM showed a 6% increase in global fee income, to USD $4.64 billion, for the financial year ending 31 December 2015 and became the 6th largest global network of independent audit, tax and consulting firms. Its membership consists of a number of firms that are within the top 5 in their market including the 5th largest firm in the U.S. (formerly McGladrey), and the 3rd largest in China. RSM encompasses over 120 countries, 760 offices and more than 38,300 employees internationally. RSM is recognized for a passionate focus on collaboration, deep understanding of what matters most to clients, and insight sharing by senior partners.

RSM Georgia (formerly RSM Capto) with eight years of experience in the local tax, audit and consulting market consists of four offices and 70 professionals. On October 26, 2015, RSM Capto was rebranded to "RSM" and adopted a new visual identity alongside its fellow members all over the world. A single unified global brand enables RSM to better communicate its strengths and global service capabilities as the adviser of choice to entrepreneurial, growth-focused organizations. RSM's new look and feel was designed by the leading global branding company, Landor. In Georgia, RSM's rebranding as well as local communication campaign planning was done by the marketing partner company BRANDOR Consulting.

RSM is a member of the Forum of Firms. The objective of the Forum is to promote consistent and high-quality standards of financial reporting and auditing practices worldwide, bringing together firms that perform transnational audits and involving them more closely with IFAC's activities in audit and other assurance-related areas.

RSM's firms are here to advise clients on a wide range of issues including audit and assurance, consulting, tax, risk advisory, IFRS, restructuring, IT, transaction and business and financial advisory solutions. As well as these core services, RSM Georgia also offers a wide range of specialist services, such as legal advisory, wealth management and evaluation services. In addition, just recently the company has launched a sub-brand, RSM Georgia Solutions, which is focused on IT consulting. It is worthwhile to mention that RSM Georgia Solutions has already become the first certified partner of SAP Business One in Georgia. It will enable RSM Georgia Solutions to offer and implement SAP's business management software, designed for small and medium-sized enterprises on local market. Wherever you are in the world, you will enjoy the same seamless service, combining astute local knowledge with the global expertise of RSM's most senior professionals.

RSM actively engages in promoting and celebrating the very best in entrepreneurship and business leadership, championing the role of the entrepreneur in today's world economy. RSM is the lead sponsor and corporate champion of the European Business Awards (EBA), promoting commercial excellence and recognition of entrepreneurial brilliance. RSM Georgia is eager to support Georgian companies to participate in the EBA and showcase themselves alongside the European Business Elite.

GEORGIA CELEBRATED THE 25TH ANNIVERSARY OF ITS INDEPENDENCE WITH A MILITARY PARADE, TRIBUTES TO THE COUNTRY'S 1918-1921 FIRST REPUBLIC GOVERNMENT, AND MANY OTHER EVENTS. MILITARY ORCHESTRAS AND SOLDIERS FROM SEVERAL COUNTRIES, INCLUDING THE UNITED STATES AND THE UK, PARTICIPATED.

AMCHAM COCKTAIL RECEPTION AT MERCURE HOTEL

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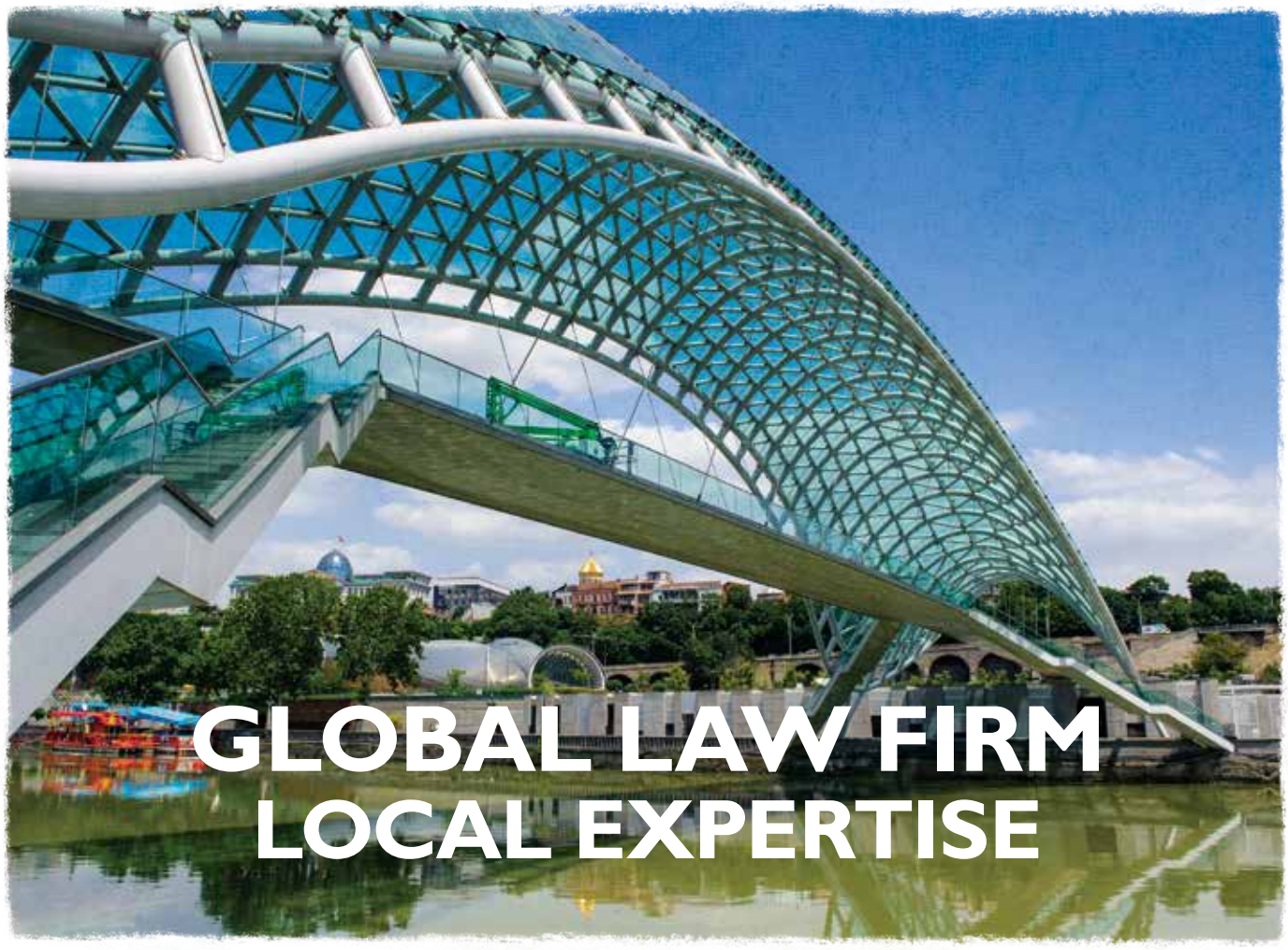

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