EXPLAINER:
THE "LARIZATION" PLAN

REMEMBERING BOB WALSH

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ELIMINATION PROGRAM

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INVESTMENT NEWS

INVESTOR.GE PROVIDES A BRIEF UPDATE ON INVESTMENTS AND CHANGES IN GOVERNMENT POLICY THAT COULD IMPACT THE BUSINESS ENVIRONMENT. THE INFORMATION IN THIS ISSUE WAS TAKEN FROM AGENDA.GE, A GOVERNMENT-SUPPORTED WEBSITE, AND OTHER SOURCES.

CHINESE COMPANY BUYS 75 PERCENT OF FREE TRADE ZONE

The Georgian government and a Chinese company have signed a memorandum of understanding for the purchase of 75 percent of the ownership shares of the Free Trade Zone in Poti, Georgia, agenda.ge reported on 16 January.

The company, CEFC China Energy Company Limited, is a leading international company listed on the Fortune Global 500 list, gov.ge, the Georgian government's official website, reported.

The deal is part of China's One Belt, One Road project, the website said, adding the memorandum was signed by Economy Minister Giorgi Gakharia and Zang Jianjun, the CEO of China Energy Company Limited.

The agreement is part of an effort "to encourage the realization of the potential of the New Silk Road."

CEFC China Energy Company Limited plans to develop the Poti Free Industrial Zone by "sharing the best practices of China's developed industrial zones and attracting investments in the development of processing, modern technology, warehouse management, and logistics," the report said.

EU VISA WAIVER FOR GEORGIA

The European Parliament voted to waive visa requirements for Georgian citizens travling to the Schengen area. The new rules are slated to go into effect by the end of March and will simplify traveling for business and tourism. See page 15 for a fuller report.

TURKMEN OIL RETURNS TO GEORGIA

Georgia and Turkmenistan have signed a three-year deal for the transportation of Turkmen oil via Georgia, agenda.ge reported on January 13. The $22-million agreement calls for 1.5 million tons of oil to be transported through Georgia every year, according to the report.

NEW AIRPORT OPENS IN RACHA

Prime Minister Giorgi Kvirikashvili opened Georgia's newest airport in Ambrolauri, Racha, in western Georgia, agenda.ge reported on January 14.

EXTERNAL TRADE UP 21 PERCENT IN 2016

Georgia traded goods worth $11.9 billion in 2016, up 21 percent from the previous year, according to official statistics. The value of exports dropped two percent and imports increased 28 percent, the report stated.

GULF AIR TO LAUNCH NEW TBILISI FLIGHTS

Bahrain's Gulf Air has announced new direct flights to Tbilisi, agenda.ge reported on 21 January, citing the air company's statement.

The new, three-times weekly flights will start in the summer.

OVER SIX MILLION TOURISTS IN 2016

Over six million foreign visitors came to Georgia in 2016, according to official statistics. Over two million people spent more than 24 hours in the country, a 19 percent increase from 2015. The highest number of visitors came from Azerbaijan -1,523,075, a 9.3 percent increase, followed by Armenia, Turkey, Russia and Ukraine.

The number of visitors from European countries also increased in 2016: according to official statistics, there were 24 percent more visitors from Latvia, 16 percent more from Lithuania, 15 percent more from Czech Republic, 12 percent more from Bulgaria and 11 percent more from Germany.

There was exponential growth in the number of tourists from several other countries, including Iran, India, Saudi Arabia, Philippines, Oman and China, agenda.ge reported, citing the Georgian National Tourism Agency.

NATIONAL BANK LAUNCHES LOAN CALCULATOR

The National Bank of Georgia has created a calculator to help people and businesses compare loan terms in lari, the national currency, and US dollars, agenda.ge reported on February 3.

The initiative is an effort to support the government's larization program, which allows those who took out bank loans in dollars before January 2015 – and put up real estate as collateral – to convert their dollar loan to lari, the report said.

The calculator is available on the National Bank of Georgia website, www.nbg.gov.ge.

BANK OF GEORGIA ACQUIRES PROCREDIT BANK'S SME PORTFOLIO

Bank of Georgia has purchased ProCredit Bank Georgia's small and medium sized segments portfolio, agenda.ge reported on February 6. The report noted the deal was signed in December 2016. The agreement will add a net value of 120 million lari (about $45 million) in loans to Bank of Georgia's retail banking loan portfolio, according to agenda.ge.

FOUR MILLION BOTTLES OF GEORGIAN WINE TO 26 COUNTRIES

Georgia exported 4.3 million bottles of Georgian wine to 26 countries in January, agenda.ge reported, citing official statistics. Sales totaled $8.8 million, the report said.

January sales were a 141 percent increase in revenue compared to the same month in 2016; the volume of exports increased by 184 percent, according to the Georgian National Wine Agency.

The top five countries that imported Georgian wine in January 2017 were: Russia – 2,861,471 bottles;Ukraine – 402,858 bottles; China – 372,440 bottles; Poland – 156,302 bottles; and Kazakhstan – 106,284 bottles. Exports also increased to 11 other countries, according to the report: China – 725 percent (372,440 bottles); Estonia – 250 percent (48,432 bottles); Russia – 198 percent (2,861,471 bottles); Kyrgyzstan – 186 percent (38,700 bottles); Kazakhstan – 164 percent (106,284 bottles); United Kingdom – 113 percent (14,328 bottles); Ukraine – 102 percent (402,858 bottles); United States – 100 percent (32,940 bottles); Latvia – 84 percent (61,128 bottles); Poland – 37 percent (156,302 bottles); and Lithuania – 21 percent (54,228 bottles).

Georgian brandy exports were also up by 59 percent, compared to the same period last year. Agenda.ge reported that Georgia has sold $21.7 million worth of alcoholic beverages in January 2017, including wine, brandy, chacha and others – a 229 percent y/y increase.

Remembering Bob Walsh

BOB WALSH (1940-2017) WAS A GREAT FRIEND TO GEORGIA, A TIRELESS ADVOCATE WHO SPENT THREE DECADES HELPING GEORGIANS IN IMMEASURABLE WAYS. HE DIED ON JANUARY 23 AFTER CONTRACTING A RESPIRATORY ILLNESS DURING A TRIP TO TBILISI, WHERE HE HAD BEEN AGAIN WORKING ON BEHALF OF GEORGIA. INVESTOR.GE SPOKE WITH A FEW OF HIS CLOSE ACQUAINTANCES AND BUSINESS PARTNERS ABOUT THE MAN AND HIS GOOD WORKS IN GEORGIA.

Bob Walsh first came to the Soviet Union in the 1980s, on a trip to Moscow as one of the four organizers of the Goodwill Games.

BUILDING PEACE WITH THE SOVIET UNION

Walsh started working in the region before the end of the Soviet Union. He directed the first Western aid to the people of Armenia following the devastating 1988 earthquake, and negotiated with USSR Minister of Sports Marat Gramov and Deputy Minister Alexander Kozlovsky to permit Lynne Cox's historic 1987 swim across the Bering Strait, according to media reports.

In addition, he partnered with Russian entrepreneurs to help fund the first commercial space flight in history, in 1991, the Seattle Times reported.

A NATURAL PROMOTER

Walsh was a natural promoter, according to people who knew him best. After his first trip to Tbilisi, he returned, again and again, helping Georgians find much-needed investments in the early years of independence, as well as helping those who needed medical care or education in the U.S..

Steve Rudman, who wrote "Who the Hell is Bob" about his work, said Walsh "immediately fell in love with Georgia" when he arrived in the country in 1991, despite the ongoing civil war and unrest.

"In the ensuing years, he led more than 60 investor groups to Georgia to introduce them to the economic possibilities in the post-Soviet republic. Ultimately, Bob and various investors wound up collaborating with Georgian officials on a variety of projects, including real estate development, dairy processing and pharmaceuticals," he said, adding that Walsh was also involved in humanitarian projects, like arranging life-saving operations and sponsoring students so they could study in the U.S..

Kristin Hayden represented Walsh in Tbilisi from 1999 to 2001. She remembers him as a visionary who sought to "bring further investment and support to Georgia."

"Bob was a true visonary who taught me that ordinary citizens can create extraordinary things. He always believed in his dreams and always went after them. He was bold and visonary and ahead of his time. He loved Georgia and wanted to share that passion with everyone he met and bring further investments and support to Georgia," she told *Investor.ge.*

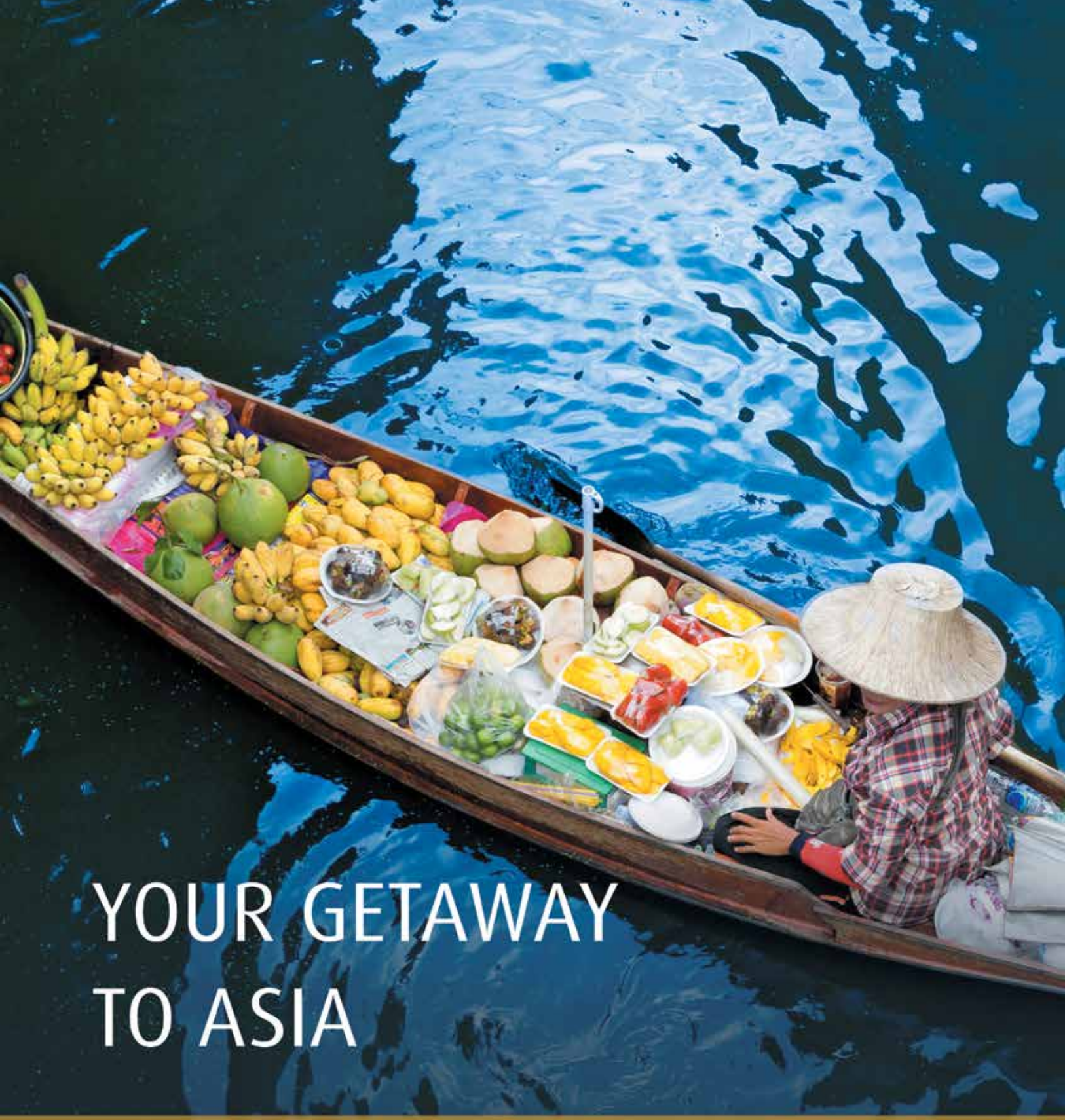
"Bob's vision helped re-build Georgia and his humanitarian heart supported many Georgians over the years."

"GEORGIA'S GREAT FRIEND"

Prime Minister Giorgi Kvirikashvili honored Walsh for his support for Georgia in a statement following Walsh's death on January 23.

"I was extremely saddened to learn about the passing of Georgia's great friend, Bob Walsh, who has been a great supporter of this country, which he loved so dearly. He will be always remembered and missed here. Bob was among the pioneers who took interest in Georgia and invested themselves completely in the country's development. He even spent the last days of his life in Georgia. As one of the biggest supporters of Georgia in the U.S., Bob Walsh utilized his influence at many levels in Washington and beyond to further tie the strong bonds of partnership between our two countries," Kvirikashvili said.

"It was due to this very devotion and outstanding contribution to my country that led to him being awarded Georgia's honorary citizenship. In this time of mourning and sorrow, our thoughts and ▸▸



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prayers are with Bob's bereaved family and loved ones."

A GENEROUS MAN

Walsh's efforts to help Georgia were also praised by Gary Koeb. He said Walsh helped "at a time with the country was struggling through its most difficult times."

"These activities did not bring him great wealth. But, he continued to heed the call every time a Georgian minister or businessman called upon him for introductions or other assistance. I'm proud to have known him and to have benefited from his kindness and friendship. He was a very generous man and always ready to activate his network to help a friend. He looked for solutions and creative ways to solve problems. He never accepted the impossible," Koeb said in an e-mail interview.

"Bob was one of the pioneers of American business in Georgia, one who brought millions of dollars of investments to Georgia."

He added that Walsh was a humanitarian and arranged "for dozens of Georgian children to receive medical assistance in the U.S., and not only raised funding for these cases, but personally facilitated their medical, transportation and lodging arrangements."

"PIONEER OF AMERICAN BUSINESS IN GEORGIA"

Mamuka Tsereteli, the President of the America-Georgia Business Council, told *Investor.ge* that Walsh was a generous man and a gifted promoter who brought millions of dollars of investment for Georgian businesses.

"Bob was one of the pioneers of American business in Georgia, one who brought millions of dollars of investments to Georgia. He also was one of the most efficient promoters of Georgia in the United States, bringing journalists and opinion makers to Georgia for almost 30 years, and advocating for Georgia in the USA," Tsereteli said in an e-mail interview.

"Bob was a very generous man: he saved the lives of many Georgians, by bringing them to the best hospitals in the Seattle area; he also organized funding for [many Georgians'] education. Bob had an unconditional love for Georgia.

He said many times, in public and in private, that people in Georgia are unlike anywhere else: warm, hospitable, loving, and that is why he never stopped coming to Georgia since his first visit in the '80s. Bob was an incredible man and he will be missed by many people in Georgia and the United States."

MAKING THE IMPOSSIBLE POSSIBLE

GMT Group CEO George Tavadze said Walsh was a "powerful and tireless promoter" who "made a real difference in the lives of the Georgian people."

"During the time of despair and ravages of the early 1990s, he was instrumental in restoring our faith and hope that together we could build successful businesses to help make this country an attractive destination and achieve greater prosperity for its people," he said in an e-mail interview.

"Through his efforts and facilitation one of the first major U.S. investments was brought to Georgia, resulting in the development of the Marriott Tbilisi Hotel, Courtyard by Marriott Hotel, Mtatsminda restaurant complex an Sante factory."

Tavadze noted that Walsh was instrumental in introducing Georgia to the rest of the world. He recalled a favorite story of Walsh's about trying to educate U.S. businesspeople about opportunities in the country.

"This was one of his favorites: Bob and his partner were at a meeting with potential U.S. investors talking about Georgia in one of the U.S. states. While discussing recent developments he mentioned the civil war and his humanitarian efforts saying that "I even was there helping them during the civil war." A confused man in the audience astonishingly looked at him asking how old he was, all the time believing that Bob was selling a business opportunity in Atlanta, Georgia," Tavadze said.

"This real-life story speaks for itself and is a good illustration of what tremendous efforts were needed at the time to promote Georgia and put it on the global map for investments."

Biographer Steve Rudman said "I think I would sum up Bob's Georgian legacy this way: Largely what the West knows about Georgia, and for every Western dollar invested in Georgia today, is a direct result of Bob's enthusiastic promotion of the country here in the United States for many years. He never missed a chance to give Georgia a ringing endorsement in our press/media."

"During the time of despair and ravages of the early 1990s, he was instrumental in restoring our faith ."

BLB reaching new highs as an outside counsel of Microsoft Corporation in Georgia

It has been already two years since Microsoft Corporation engaged BLB as its outside legal counsel in Georgia. In an unprecedented move, in

few month from BLB's selection, BLB undertook number of enforcement actions on behalf of Microsoft Corporation in Georgia and achieved 100% success rate resulted in decrease of software piracy level in Georgia.

In recognition of valuable contributions to enforcement of Microsoft's IP rights and the very first and most successful campaign for protection of Microsoft's IP rights in Georgia through civil actions, Microsoft Corporation granted BLB the Award for Excellence.

BLB, the only law firm to win the prize in the category of Star Achievement, was chosen to share its experience with its international colleagues representing Microsoft Corporation globally as well as judicial and administrative authorities developing IP enforcement policy and strategies. As a follow up to its international recognition, BLB has already conducted live training course in Vilnius, Lithuania and webinar for colleagues acting in different jurisdictions in Europe and Asia. BLB has also shared its successful Georgian experience with judges in Albania, which has only recently enacted IP laws and tools for civil enforcement.

"We are proud to receive this marvelous recognition for the enforcement campaign, which contributed to the decrease of software piracy rate in Georgia. The amazing collaboration achieved by our team enabled us to help our client, Microsoft Corporation, reach a 100% success rate in IP enforcement.

BLB goes international by sharing its successful experience with its colleagues and legal and administrative authorities acting in various jurisdictions.

Please, mark the occasion, BLB goes international by sharing its successful experience with its colleagues and legal and administrative authorities acting in various jurisdictions in European and Asian countries", says BLB's Managing Partner, Kakha Sharabidze.

Having this valuable experience under its portfolio, BLB remains a key player on the Georgian legal market ready and set to offer its services to the local and foreign investors.

ABOUT: for more than 20 years, Business Legal Bureau (BLB) has been one of the most widely recognized legal names in Georgia making it the oldest local law firm specializing in all areas of business law. Among the clients of BLB are major local and international companies, financial institutions and wealthy individual investors involved in large cross-border transactions and investment projects.

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GEORGIA'S HEPATITIS C ELIMINATION PROGRAM:
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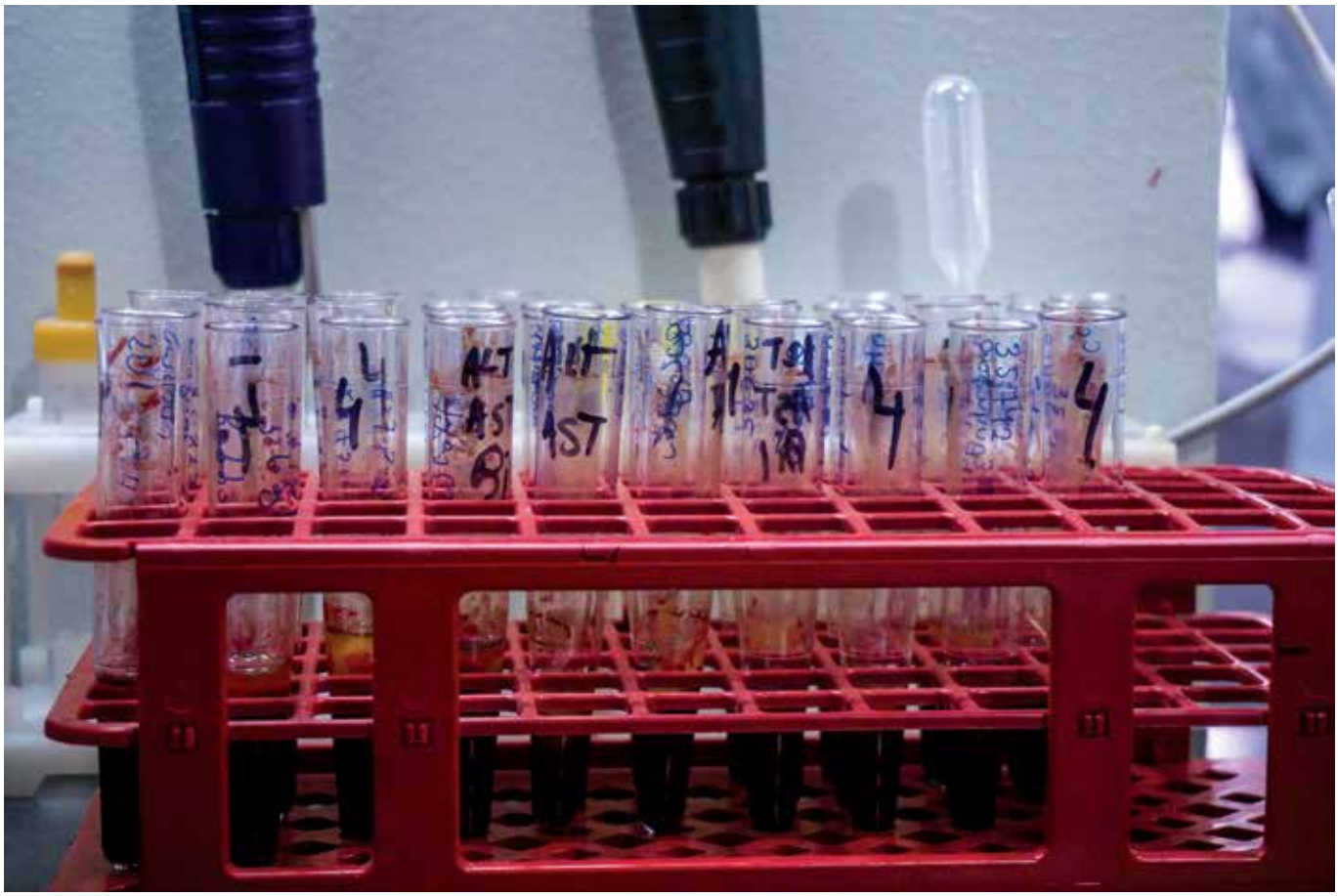

Photo by George Surguladze

GEORGIA, THE UNITED STATES' CENTER FOR DISEASE CONTROL AND PREVENTION (CDC) AND PHARMACEUTICAL COMPANY GILEAD HAVE TEAMED UP TO CREATE A PIONEERING PROGRAM THAT COULD BECOME AN INTERNATIONAL EXAMPLE OF HOW TO ELIMINATE HEPATITIS C, ONE COUNTRY AT A TIME.

INGE SNIP

Every morning he woke up tired. Not just tired, but exhausted. "I used to love going out to meet with friends," says Levan Ekseulidze, 51, while sitting at a colorful dining table surrounded by exotic plants and Georgian paintings. "I was quite active, but I did not like anything anymore. I did not want to go anywhere," the former dentist says, as he explains to *Investor.ge* about the years he had Hepatitis C, a liver disease affecting an estimated 6.7% of Georgia's population, one of the highest rates in the world. Fatigue and depression are some of the few symptoms in the later stages of the viral infection.

Hepatitis C is a major contributor to the global disease burden, as it causes "chronic, life-long infections, resulting in progressive liver damage that leads to cirrhosis and hepatocellular carcinoma," a report by the World Health Organization states. With a high level of hepatitis-related mortality worldwide, the easily preventable infection is very costly to cure; one treatment round costs about $85,000 per person.

"A new revolutionary program in Georgia, which negotiated free medication from pharmaceutical company Gilead, is trying to tackle the infection rate in the country."

But a new revolutionary program in Georgia, which negotiated free medication from pharmaceutical company Gilead, is trying to tackle the infection rate in the country. The five-year strategic plan, which started in 2015, aims to eliminate Hepatitis C countrywide and serve as a worldwide example by doing so.

Ekseulidze took part in the program and was cured after just three months of treatment. "The change in my life has been major," Ekseulidze explains, whom was diagnosed in the early 2000s, but could not afford the medication to treat it.

Gregg Alton, Executive Vice President of Corporate and Medical Affairs at Gilead Sciences, tells *Investor.ge* that providing Georgia with free medication was an easy decision: it seemed the per- ▸▸

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Photo by George Surguladze

fect place to do a test case to show other countries that Hepatitis C could be cured countrywide with their new medication.

"You have a manageable population in terms of a study size, and you have a high prevalence of the disease. It really struck me as a great opportunity for us to do a demonstration project of how you can actually, in a poor country, eliminate Hepatitis C if you bring in all the elements of screening, treatment, of building the clinics, of reducing stigma, and on working on prevention. And that seemed to be something [government leaders] were very committed to do," Alton says.

Currently, over 8,500 people (of those approximately 285,000 Georgians with Hepatitis C) have been treated, of which 90% have been cured. The aim of the program is to have 90% of the patients infected with Hepatitis C virus screened and 95% of the patients treated and cured after four years.

If the program is successful, it could have major implications for the elimination of the disease worldwide.

"I am hopeful that in five to ten years the infection will no longer be a significant healthcare burden for Georgia," Alton tells *Investor.ge*, and who says Gilead will not give the medication for free in other countries, but sees it as an example to show other countries that the investment in the medication is worth it. "And we are talking with possible donors who could support governments in eliminating Hepatitis C as well."

But there are some concerns from experts when it comes to the sustainability of the project.

Maia Butsashvili, infectious disease specialist and HRU director at Neolab, one of the first participating medical laboratories, says "the reinfection rate might be quite high if the government does not take enough measures in the health sector to prevent Hepatitis C infections." About 50% of Neolab's participants in the program were infected through unsafe procedures in the healthcare system. Butsashvili is also worried about harsh laws on drug abuse: the other 50% of the participants at their lab were infected through unsafe and shared needles.

But there are some concerns from experts when it comes to the sustainability of the project.

This concern is widely held. Paata Sabelashvili, who has been advocating for the decriminalization of drug use for several years, says the program is falling short on recognizing the effects of law enforcement aiming to imprison anyone using drugs. "We want to have patients to be able to get medication at the harm reduction centers, or mobile ambulances. But patients have been harassed by the police; they searched the bus twice, expecting to find drugs, scaring away the people who need the Hepatitis C program the most."

But both Butsashvili and Sabelashvili believe the Ministry of Health is slowly recognizing it needs to have a stronger position in the drug decriminalization discussion to ensure the success of the program. Alton notes that Gilead is working closely with the government to advise them how to deal with this situation. "At the advisory board that meets several times a year in Georgia, we have experts from all over the world, and we also have representatives from the drug-using population," he says. For Ekseulidze, who got infected in the 1990s while injecting himself with "all kinds of drugs," says two of his friends who were in the program tested positive a few months after they were cured. He, however, blames it on the large amounts of alcohol they consumed afterwards. "You need a healthy diet after you are cured, but we Georgians don't always believe wine and fatty foods are bad for us."

It is obvious there are a lot of hurdles to overcome to achieve the goal of eliminating Hepatitis C, but the program is making some important and crucial steps necessary to defeat the disease, with a potential global impact.

"BREAKING OF THE WALL" -EU GRANTS VISA WAIVER

INVESTOR.GE SPOKE WITH STATE MINISTER FOR EU INTEGRATION VIKTOR DOLIDZE AND POLITICAL PUNDITS ABOUT WHAT THIS MEANS FOR GEORGIA GOING FORWARD

LIKA JORJOLIANI

After a historic vote in Brussels on February 2, Georgians are now looking forward to closer relations with the EU.

"HISTORIC DAY"

Georgian Prime Minister Giorgi Kvirikashvili said the EU vote was "historic."

President Giorgi Margvelashvili also praised the EU vote, saying it will "reap results" for both Georgia and Europe.

MP Giorgi Kandelaki of the opposition European Georgia called the visa waiver a "breakthrough" and a "benefit that will change the lives and work of many of our compatriots, many young people, students and businessmen."

"THIS DAY IS OURS!"

The reaction in Tbilisi was jubilant.

City landmarks, like the TV antenna and the Peace Bridge over the Mtkvari River, were bathed in blue and yellow lights, in honor of the EU flag.

The city also hosted a free concert in the center of town to celebrate the vote.

"Congratulations to all with this day, congratulations to the whole Georgia!!!," one Tbilisian told *Investor.ge*.

"I would like to express my gratitude to all the people who have contributed to this process...Many people dedicated a lot of work and power behind the scenes. Do you know what makes me happy? In place of the connection with the Soviet Union, the saying 'Eh, there was a time when we could fly to Moscow for 24 rubles,', now we can say "We started travelling to Europe for 25 lari without visas.' We started the return to a large European family. This day is ours!"

"EUROPEANIZATION OF GEORGIANS"

Tbilisi State University Professor Kornely Kachachia told *Investor.ge* that the biggest benefit from the waiver "is the opportunity Georgian citizens might have after visa-free travel, as it could enhance the Europeanization of the country by exposing ordinary Georgians to European culture, politics, business ethics, etc, as well as potentially, it could also strengthen political and economic links," he said.

"However, I'm afraid it will have an effect only in the long-term."

▸▸

GEORGIA'S EU VISA-FREE REGIME

Citizens of Georgia who have a biometric passport will have the opportunity to travel without a visa for short visits (90 days of stay within six months) in all 26 country members of the Schengen Agreement: Belgium, Italy, Denmark, France, Portugal, Sweden, Germany, Spain, Finland, Luxemburg, Greece, Iceland, Netherlands, Austria, Norway, the Czech Republic, Estonia, Lithuania, Latvia, Malta, Poland, Slovakia, Slovenia, Hungary, Switzerland, and Lichtenstein.

In addition, the visa-free regime will apply to four future member countries of the Schengen Agreement: Bulgaria, Cyprus, Romania, and Croatia.

Citizens of Georgia desiring to travel to Ireland and Great Britain will need to receive a visa for these two EU member states..

GEORGIA'S VISA-LIBERALIZATION WITH THE EU

To minimize the risk of being prohibited from entering the territory of the EU by European Border Police, citizens of Georgia, who very soon will be able to travel without a visa in Europe, must follow the following recommendations to use the visa-free regime:

- One must have have a distinct aim of one's visit (a business trip, tourism, visit to friends or relatives, education for up to 90 days) and be ready, upon the first demand of the Border Police, to inform them of the traveler's aim of arrival, planned travel route, and approximate term of stay;
- A traveler should carry all documents confirming the aim of his/her aim trip, which may be required by the Border Police: invitation, air ticket in both directions, hotel booking reservation number, a copy of the ID card of the person who invited the traveler and the telephone number and contact information of the inviting party, and medical insurance;
- A traveler must possess a biometric passport valid for a period of not less than six months;
- The lawful period for staying in the EU without a visa, consists of 90 days per six months;
- The possible penalty for remaining in the EU upon the expiration of the indicated lawful term of stay is a fine of of 3000 Euros and being banned from entering the Schengen zone for five years.

Vano Chkhikvadze, a specialist on European integration issues who works for Open Society Georgia, told *Investor.ge* that the visa waiver is important both politically and economically.

"It represents a message,breaking of the wall that was preventing contact. Of course, these restrictions only had a partial impact, but they affected the development of relations. And, in order to completely break down the wall, Georgia must become a member of the EU," he said.

FINAL STAGE

The State Minister of the Issues into European and Euro Atlantic Structures, Viktor Dolidze, told *Investor.ge* that Georgia is "in the final stage" to receive visa-free travel to the EU.

"I don't want to speak about terms and dates, but I expect completion of the process in early spring, in March or April," he said, adding that the government is planning a "broad informational campaign" - designed to run across all major media outlets and on public transport and in public areas - to educate Georgians about what the new status means.

"In addition, we plan to conduct active informational campaigns in the regions. I personally plan to visit all the regions of Georgia.

We will conduct meetings with the population by segments. For example, we will devote one day to meeting students; the next day - with pensioners, and then with members of the business community.

We will focus our attention on the regions occupied by national minorities, and the high mountainous population," he said.

A FOUR-YEAR PROCESS

The path to achieve visa-free status started in 2013, noted Chkhikvadze.

"Earlier we expected that Georgia could receive a visa regime in 2016. However, the main obstacle was bundling the question of Georgia's [visa-regime status] with other countries, from which there was a high risk of an increased number of asylum seekers," he told Investor.ge.

In particular, he noted the cases of Turkey and Ukraine.

"From its side, Georgia fulfilled all its obligations according to the Action Plan on Visa Liberalization and received a positive report as being ready in December 2015," he said.

He added that the EU's decision to improve the EU's mechanism for suspending the visa-free regime, which was caused by the increasing number of refugees and migrants over the past few years, also played a role.

"The most important thing that people should know is that this doesn't enable them to work in Europe," Chkhikvadze said.

NO LICENSE TO WORK

"The most important thing that people should know is that this doesn't enable them to work in Europe," Chkhikvadze said.

"They may receive medical treatment, education, and travel in Europe. But they can't work there.

Opening of borders enables us to travel in Europe and to understand what the Europe is.

As for the EU, this makes it more popular."

MOLDOVA'S EXPERIENCE

"The visa-free regime will decrease the cost and level of the existing bureaucracy.

Liberalization of the visa regime will provide citizens of Georgia with significant advantages and it creates new opportunities for business.

This bilateral obligation is a large step forward from a political point of view, as well as for Georgia's economic integration with the EU," Dolidze said.

Dolidze noted that in Moldova, which was granted visa-free status in 2014, the status has encouraged residents of breakaway region of Transnistria to get Moldovan passports. "The experience of Moldova gives us the possibility to analyze the situation.

The visa-free regime is a very serious element for citizens residing in Abkhazia as well.

It means that after receiving a biometric passport from the Ministry of Justice of Georgia, our citizens living in Abkhazia may automatically travel in the countries of the EU.

BACKGROUND

The EU started a dialogue about the liberalization of the visa regime with Georgia in 2012.

In February of 2013, the European Commission presented an Action Plan for the liberalization of the visa regime with Georgia. This plan combined a number of spheres connected with issuing secure documents, managing borders and migration, mobility and asylym, and other issues, including fighting corruption and organized crime, protecting human rights and minority rights, and eliminating discrimination.

In December 2015, the European Commission submitted a report stating that Georgia had fulfilled all of the terms for the liberalization of the country's visa regime with the EU.

Georgia expected that the EU would implement a visa-free regime in the summer of 2016, but the decision was postponed in June.

Georgia entered into an Association Agreement with the EU in July 2016.

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Georgian Ski Resorts 2.0

INVESTOR.GE EXPLORES THE INVESTMENTS THE GOVERNMENT IS MAKING IN THE COUNTRY'S SKI RESORTS, INCLUDING BAKURIANI RESORT. PHOTO COURTESY OF SNOW.GE WEBSITE.

Record Numbers of Skiers Drive Government Investment

FOUR GOVERNMENT BODIES AGREED TO INVEST TENS OF MILLIONS OF LARI IN SKI INFRASTRUCTURE IN A 2015 AGREEMENT. INVESTOR.GE SPOKE WITH OFFICIALS ABOUT HOW THE MONEY HAS BEEN SPENT.

NINO BAKRADZE

A 2015 deal called for major investment in one existing ski resort, Bakuriani, as well as the development of Mitarbi, a nearby resort.

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Under the terms of the agreement, the government promised to invest 48 million lari, financing the construction of ski lifts in Kokhta, a mountain in Bakuriani, and Mitarbi, while the Georgian Development and Reconstruction Company signed on to spend an additional 70 million lari for real estate development within the project.

Sandro Onoprishvili, head of the Ministry of Economy's Mountain Resorts Development Company, told *Investor.ge* the government has already spent 48 million lari purchasing and installing the ski lifts.

"In total, we installed five ski lifts, three in Mitarbi and two on Kokhta, covering eight kilometers of ski lines. Currently we are focused developing infrastructure in the village of Mitarbi, which is 10 km from Bakuriani. The government took on the responsibility to finalize the roads and other infrastructure leading to apartments and a hotel by the end of 2017," said Onoprishvili.

Sandro Onoprishvili, head of the Ministry of Economy's Mountain Resorts Development Company, told Investor.ge the government has already spent 48 million lari purchasing and installing the ski lifts.

A private company ,New Mitarbi LTD, one of the signatories to the memorandum, hired French specialists to make a general plan for development of Bakuriani and the surrounding area. "The company has started building a hotel and apartments in Bakuriani and the village of Mitarbi," the company's marketing manager, Salome Lekishvili, told *Investor.ge.*

She added that more than 600 apartments and a hotel complex will be built in the first stage of the project and "completely new infrastructure will be ready" for guests by the end of 2017.

"We already spent 10 million GEL on this area," Lekishvili said, noting that the company is obligated to spend 100 million lari on the construction of hotels and apartments in Bakuriani and Mitarbi by the end of 2019.

BEYOND THE MEMORANDUM

Other government-financed projects include a Mountain Resorts Development Company plans to development biathlon infrastructure in Bakuriani for public use, not just for training athletes.

A ski jump is also planned. Both projects are slated to be completed in 2018 and the initial cost will be 10 million lari, Onoprishvili said.

There are also plans to build ice rinks, an ice hockey arena, a modern cinema and a bowling alley in Bakuriani.

GUDAURI - THE MOST POPULAR SKI RESORT OF GEORGIA

There are also government plans for Gudauri, Georgia's most popular ski resort.

Kozen, a Canadian company, has finished working on the general development plan for Gudauri, a scheme for the future of the resort that fits its current environment.

Onoprishvili noted the importance of the plan, which is intended to reduce the chaotic urbanization of the resort and make it more attractive for investors.

The government also plans to construct a new 7.5 km-long gondola line that would run between Gudauri and Kobi, a nearby village, in 2017.

The ski lifts could ease transportation problems for locals as well as visiting skiers since the road between Gudauri and Kobi is often closed in the winter. The gondola line will cost over 30 million euros, Onoprishvili said.

In addition, three new ski lifts were installed in Gudauri last year, which has helped improve the ski infrastructure in the resort and provide services to the growing number of visitors there.

Over a million international visitors traveled to Georgian ski resorts in 2015-2016, according to official statistics.

The number of visitors to Bakuriani and Gudauri has increased by 40 percent since 2014, and Bakuriani alone hosted 53 percent more visitors in 2015-2016 than the previous year, according to the Mountains Resorts Development Company.

Skiing in Georgia: Advice From Abroad

GEORGIA IS SPENDING MILLIONS TO DEVELOP ITS SKI RESORTS, BUT BRUCE PACKARD, PRESIDENT OF THE ALPINE SKI CLUB, NOTES THE COUNTRY CAN LEARN THE VALUE OF PRESERVING WHAT IT ALREADY HAS FROM THE SUCCESSES OF OTHER, DEVELOPED, SKI DESTINATIONS.

BRUCE PACKARD

One of Georgia's successes over the last few years has been the growth in tourism. In the first 11 months of 2016, government figures show that total international arrivals were up 8% year-over-year to 5.6 million people, while the number of tourists increased 19.3% year-over-year to 2.5 million people.

A key part of this has been the development of the trekking and ski industry. A recent ski lift in Mestia was followed by a six-man "poma" chairlift on the slopes of Mount Tetnuldi in Svaneti. According to the state budget, over the next two years, 111 million GEL is to be invested in Georgian ski resorts.

When I visited Mestia a few years ago on an Alpine Ski Club trip, the chairlift was far from the main town. So the announcement of the construction of the Mestia–Hatsvali lift (at a cost of 20 million GEL), which will lift up people from the town to the ski area makes some sense.

REALISTIC AMBITIONS

Now we have plans for an artificial lake, biathlon track, ski jumps and expensive snow machines in Gudauri, Bakuriani and Mestia. Let's hope that the ambitious plans do not come at the expense of improving existing infrastructure.

Adventurous skiers who leave the well-groomed pistes of the Alps don't expect the standard of resort infrastructure of Zermatt or Val D'Isere.

They understand the risks and inconveniences of going to less-developed resorts. In fact, that is part of the attraction. Rather than expensive hotels and foreign chairlifts that are hard to get spare parts for, perhaps there are smaller, simpler projects.

For instance, before the collapse of the Soviet Union, the Caucasus had a network of mountaineering huts on both the Russian and Georgian sides of the border. The advantage of these huts was that each of consisted of a warm, dry, wooden building located in the heart of the mountains, which meant that one didn't need to carry a heavy tent, food and cooking equipment on one's back.

"Let's hope that the ambitious plans do not come at the expense of improving existing infrastructure."

All over the Alps, Pyrenees and Scandinavia, these huts provide infrastructure for tourists. They also provide local employment for those building and maintaining them. Often they are left unattended over the winter. Sometimes a "guardian" stays there, looking after the building, cooking for guests, and providing weather updates and good knowledge of local conditions.

In fact, I can think of several developed-country resorts that I have been to that do not have chairlifts, artificial lakes, or snow machines at all, for example, Jotunheim in Norway and Benaques in Spain. But these resorts are still popular with tourists all year round because of the hut system.

In the Caucasus, the foundations of these huts still exist. For instance, when I visited, we spent all day dragging our 25-kg packs up the Mazeri valley and camped near one such hut, in the shadow of Mount Ushba. But they are not in usable condition. When the Soviet Union collapsed, local people failed to maintain the huts. No one owned them, and it was hard enough just to survive through those bad times. But this was a short-sighted mistake, for the huts brought tourists—and tourist dollars—into the mountain areas.

VALUING THE INVALUABLE

In one sense, it is easier for the government to spend millions on foreign-made ski lifts, artificial lakes and snow machines, as the hut system requires the support and commitment of ordinary local people. It requires people to change the way they think about what is valuable.

When we visited the beautiful mountain town of Mestia, we were surprised at how unattractive some parts of town were. Local people seemed to throw their plastic bottles and rubbish in the river. This is not a wealthy area, so perhaps it is unfair to compare the Svans to the Swiss or the Norwegians. But if your greatest wealth is your mountain environment, then it makes sense to look after it. It is harder to achieve this cultural change, in which people see their local environment as valuable, but in the long run, it is worth the trouble.

To develop Georgian mountain resorts into competitors that will rival those in Switzerland or Norway is an ambitious goal. The good news is that this isn't an "either/or" situation. The government can continue to spend large sums on more eye-catching projects. But if a small fraction of the announced money went toward rebuilding huts and adding to existing infrastructure, that would be a success.

Now that Wizzair flies to Kutaisi, many of my friends are interested in the skiing potential of Georgia. And the number of adventure tourists is likely to increase. Let's hope that all the investment pays off.

Adventurous skiers who leave the well-groomed pistes of the Alps don't expect the standard of resort infrastructure of Zermatt or Val D'Isere.

Bruce Packard is President of the Alpine Ski Club. For a full account of Bruce Packard's trip to Mestia and Mazeri, see the Alpine Ski Club at http://www.alpineskiclub.org.uk/newsletters/.

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Explainer: The Government's Larization Plan

JOSEPH LARSEN

Whatever the reason for the Georgian lari's depreciation in recent times, one thing that isn't up for debate; thousands of individuals and families around the country are in tough financial straits. Since most mortgages in Georgia are held in dollars, middle class families have seen their mortgages dramatically increase in local currency terms. From the USD/GEL rate of 1.75 that existed in September of 2014 to the 2.78 low point reached on 22 December 2016, a fixed mortgage repayment had increased by 59% in local currency terms.

As Central Bank President Koba Gvenetadze said in an interview with the Georgian Public Broadcaster, as of late November, roughly 75,000 people across the country held loans repayable in U.S. dollars—loans that are becoming increasingly difficult to repay.

Responding to this depreciation, the newly-elected Georgian Dream government took decisive action. On November 29, 2016, Prime Minister Giorgi Kvirikashvili unveiled an ambitious plan to reduce the dollarization of the Georgian currency and make the population less dependent on currency fluctuations.

The most prominent part of that plan was an incentive scheme to encourage USD debt holders to convert that debt to GEL:

"According to our plan, loans which had been disbursed to individuals before Jan. 1, 2015, and supported by real estate, would be recalculated in lari at a rate which is lower than the current by 20 points … For example, if the rate today is 2.5 lari per dollar, the credit will be calculated at a rate of 2.3 lari per dollar."

The difference between the market value of the GEL at time of conversion and the rate that the mortgage holder will receive will be subsidized by the government—which will contribute 65 million lari from the 2017 budget—and the central bank, which is ready to provide banks with roughly 400 million U.S. dollars in liquidity for the conversion of loans. The threshold for each loan stands at 40,000 U.S. dollars, meaning that any debt over that amount can still be converted into lari but will not be subsidized.

In sum, the larization plan is aimed at reducing the financial system's dependence on the U.S. dollar, propping up the lari in the short term and preventing currency crises in the future.

Debt holders are eligible for this program if they meet the following conditions: they took out the loan prior to January 1, 2015; the loan to be converted is collateralized by real estate; their total debt doesn't exceed 100,000 U.S. dollars; and they earned less than 100,000 lari in income in 2015. The government estimates that roughly 33,000 loans meet those requirements.

Another component of the larization plan involves measures to support the currency by restricting citizens from taking out foreign currency loans in the future. According to the plan, starting from Jan. 1, 2017, loans worth amounts up to 39,500 U.S. dollars are issuable in lari only. From January 2018, the same policy will apply to loans worth up to 79,000 U.S. dollars.

In sum, the larization plan is aimed at reducing the financial system's dependence on the U.S. dollar, propping up the lari in the short term and preventing currency crises in the future. The plan also includes restrictions on borrowers' taking out loans from online credit platforms, another activity seen as a cause of the country's current financial difficulties.

NOT POPULAR WITH EVERYONE

It should be noted that the government's plan isn't welcomed by everyone. Some economists and opposition politicians have criticized the plan.

Much of the criticism comes from the government's use of public funds to subsidize the repayment of loans. That has been a talking point of the opposition United National Movement party. During a parliamentary debate on December 14, 2016, its members referred to this plan as "embezzlement" due to the fact that it allocated taxpayer money to the loan conversion program.

The measure has also been criticized as unfair, with the argument being that it privileges irresponsible individuals—those who knew the risks, but chose to borrow in a foreign currency anyway—at the expense of their more responsible neighbors.

Other misgivings center on the increase in excise taxes on select imported

products, which is expected to result in higher prices for certain household goods.

Then, there is the simple argument that the unveiling of the larization plan hasn't immediately restored confidence in the lari. At the time of writing, the official exchange rate stood at 2.66 lari per U.S. dollar, the currency having lost five percent of its value since the plan was announced on Nov. 29, 2016.

Gvenetadze defended the plan in an interview on December 6, 2016, saying that it was a one-off initiative to ease the burden on households in temporary financial crisis, and is not intended to become a long-term policy.

He also reminded critics of the "great grief" felt by families struggling to repay their mortgages.

The plan also has its supporters, and not just among those who might directly benefit.

In a statement issued a few days prior to announcement of the program, the International Monetary Fund lauded government plans to "expand the use of the lari in the economy."

The ratings agency Moody's expects the plan to help restore health to the country's banking sector, stating that "Georgia's plan to convert dollar-denominated mortgage loans into the local currency is credit positive for banks."

ALL EYES ON 2017

The lari has regained some of its value after falling to its December low. How much of that owes to the larization plan can't be known for certain. However, reducing the financial sector's dependence on the U.S. dollar should have positive long-term effects for Georgia's economy.

Moreover, there are reasons to expect better things in 2017.

The World Bank projects Georgia's GDP to grow by 5.2 percent, exceeding the government's official projection of 4 percent and significantly higher than the 2.4 percent growth that occurred during the first 11 months of 2016.

The government expects stronger growth to ease pressure on the lari. In a January interview with Bloomberg, Finance Minister Dimitri Kumsishvili called a stronger economy "the answer for the lari rate."

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GEORGIAN LARI DEPRECIATION IN A REGIONAL CONTEXT

AMCHAM EXECUTIVE DIRECTOR GEORGE WELTON ANALYZES THE TRENDS IN THE DEVALUATION OF GEORGIA'S NATIONAL CURRENCY, THE LARI, COMPARED TO NEIGHBORING CURRENCIES

GEORGE WELTON

The movements of the Georgian currency are a minor national obsession at the moment, and with good reason. Depreciation has been so dramatic that the same dollar expenditure (or debt repayment) costs 54% more today than it did in 2014.

In addition to increasing the price of imports, this hits a large and significant section of the Georgian economy directly. As much as 10% of Georgian households have significant dollarized debt and, since you need a reasonable income to take on that debt, this is probably concentrated in the small 'middle class'. As this group is Georgia's 'consumer' base, the devaluation of the dollar and the resulting reduction of money in their pockets is likely to hit domestic consumption and, through that, growth.

As many people have mentioned, one

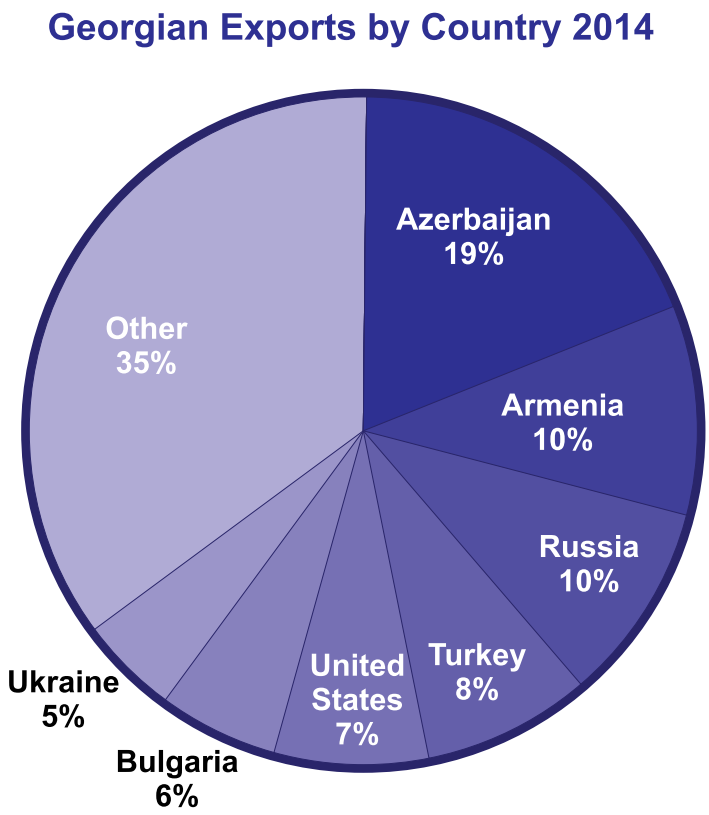

Figure 1

of the key drivers of this devaluation has been a decline in exports, which has in turn been driven by weakness in most of the other regional markets. It is, therefore, worth considering for a moment exactly how this has worked. The diagram (figure 1) shows the composition of Georgia's exports by country in 2014.

As a result, the most important national currencies for comparison are those of Azerbaijan, Armenia, Russia and Turkey. Therefore, in the graph (figure 2) we show the decline in their currencies in percentage terms compared to the US dollar. This starts from October 2014, as that is when dramatic depreciation started in Georgia.

It is not the case that the Georgian GEL generally strengthens in the summer because of increased tourism and weakens in the winter.

As one can see, the lari devalues 54% over this time with brief but significant improvements last summer. The other currencies generally also saw decline, with some similarities and differences in their path over the period. Most significantly, the ruble, the lari and the manat recovered quite a bit in the early summer – as a result of the strengthening oil price and weakening of the dollar internationally.

If one looks at each currency in turn, the differences are pretty big. The manat has done worst with almost 150% depreciation. If the lari had depreciated to the same degree, it would now stand at 4.4 lari to the US dollar!

This is strange, because while Azerbaijan is dependent on oil and gas, so is Russia, and it has not seen its currency decline to the same degree. While the ruble saw an initial and dramatic decline at the end of 2014 and the beginning of 2015, recovering briefly and then declining again, it has seen significant and sustained recovery since the spring of 2016. This is more or less consistent with the time frame of the fall and recovery of the price of oil, with Brent crude hitting a low point of around $30 per barrel in early 2016, but recovering to over $50 per barrel now (again, with quite a bit of variability in the meantime). It is unclear why Azerbaijan has not recovered in a similar way.

After that, the Turkish Lira is now doing worse than the Russian Ruble, seeing its decline accelerate in recent months. This is a result of a fairly recent dramatic slide that started in August, when the extent of the post-coup crack-down in Turkey became apparent.

The Armenian Dram is the outlier. It experienced 20% devaluation in November – October 2014/January 2015 but has not devalued much since then. This is the result of a number of factors. First, the Armenian Central Bank intervened to stop the devaluation in 2015. This would probably have been unsustainable in the long-term, accept that in 2016 a severely weakened consumer market led to a decline in imports and, at the same time, Armenia was also able to increase its exports, with the opening of a new copper mine and increased agricultural exports to Russia.

What do all of these movements tell us about the Georgian Lari? Well, most obviously, they seem to support the idea that devaluation has been led by external forces. Georgia's biggest export markets have seen weakening economies and depreciating currencies that have, until recently, outpaced the problems Georgia has faced. The summer up-tick in currency value mostly matches dollar weakening in the developing world generally (after being historically strong) and the re-weakening that occurred in late summer reflects the dollar strengthening following Brexit, and around the time of Donald Trump's election, as well as the further weakening of Turkish and Azerbaijan currencies.

That said, the most recent depreciation does not seem to reflect any recent significant worsening of the trade situation. While balance of trade is formally $2 billion worse in 2016 than in 2015, that is almost entirely accounted for by $2 billion increase in medicine imports, which is probably the free medicine provided under the hepatitis program. If you take out that difference, then balance of trade is almost exactly the same for 2016 as 2015. FDI figures have not been released for the last quarter yet, but the first three quarters are collectively stronger in 2016 than 2015 and remittances and tourism figures were both up year on year.

Most significantly, the ruble, the lari and the manat recovered quite a bit in the early summer – as a result of the strengthening oil price and weakening of the dollar internationally.

This might suggest that the depreciation was driven by other factors, particularly increases in import of products or confusion over what the larization program would entail. Petroleum im- ▸▸

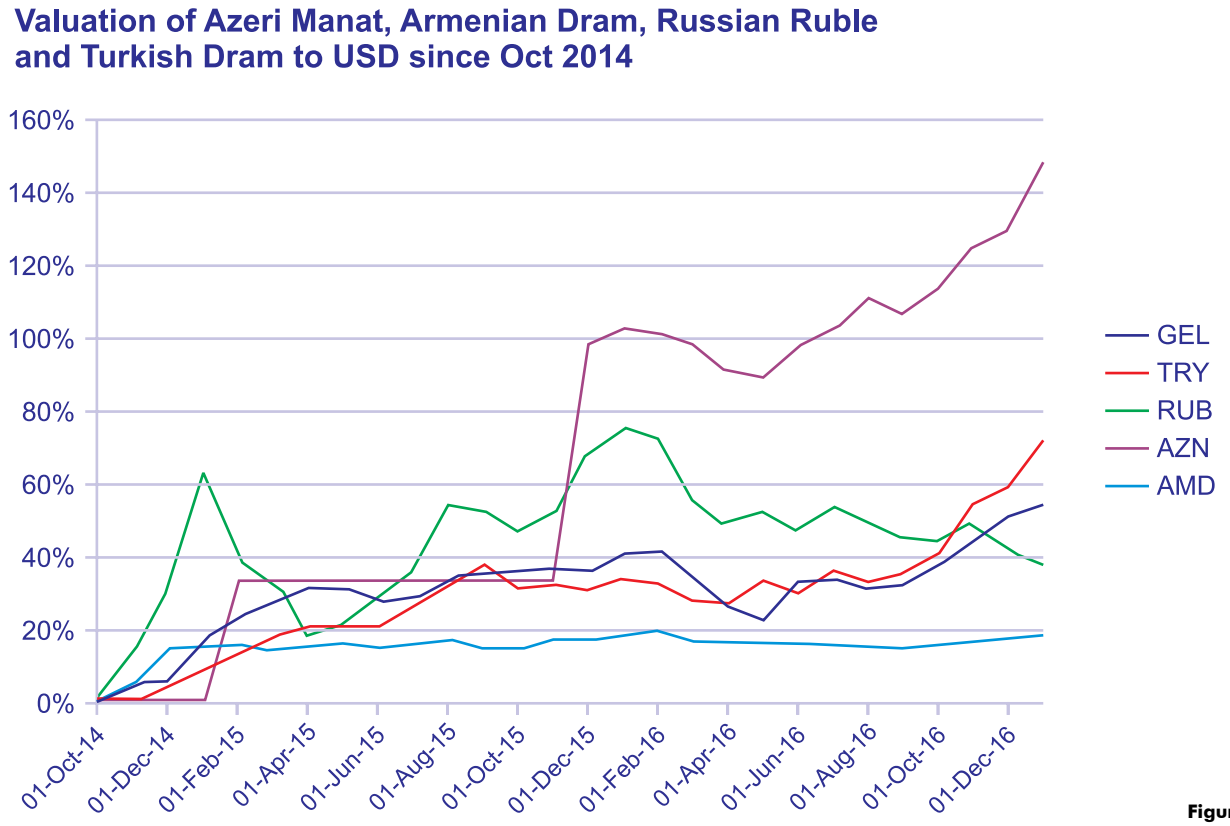

Figure 2

ports, for example, were 80% higher in December 2016 than December 2015, suggesting an increase driven by a desire to avoid new taxes.

It is also worth noting that these are not simply 'seasonal' fluctuations. It is not the case that the Georgian GEL generally strengthens in the summer because of increased tourism and weakens in the winter. These are myths that are not supported by the data, if one reviews currency fluctuations over the last 10 years or so. It would also make no economic sense to have this kind of seasonality. If markets know which direction the currency is going to move at a particular time of the year, then they will move NOW to take advantage of that information, and this would iron-out the variation.

This also seems to suggest that the general trend of currency movements is largely out of the hands of the Georgian government.

In the short-term, apart from massive currency interventions from the National Bank, there is not much that the Georgian government can do.

In the medium term infrastructure spending from IFIs (as planned) will support the currency. In the long-term promoting exports, FDI and tourism are really the only options.

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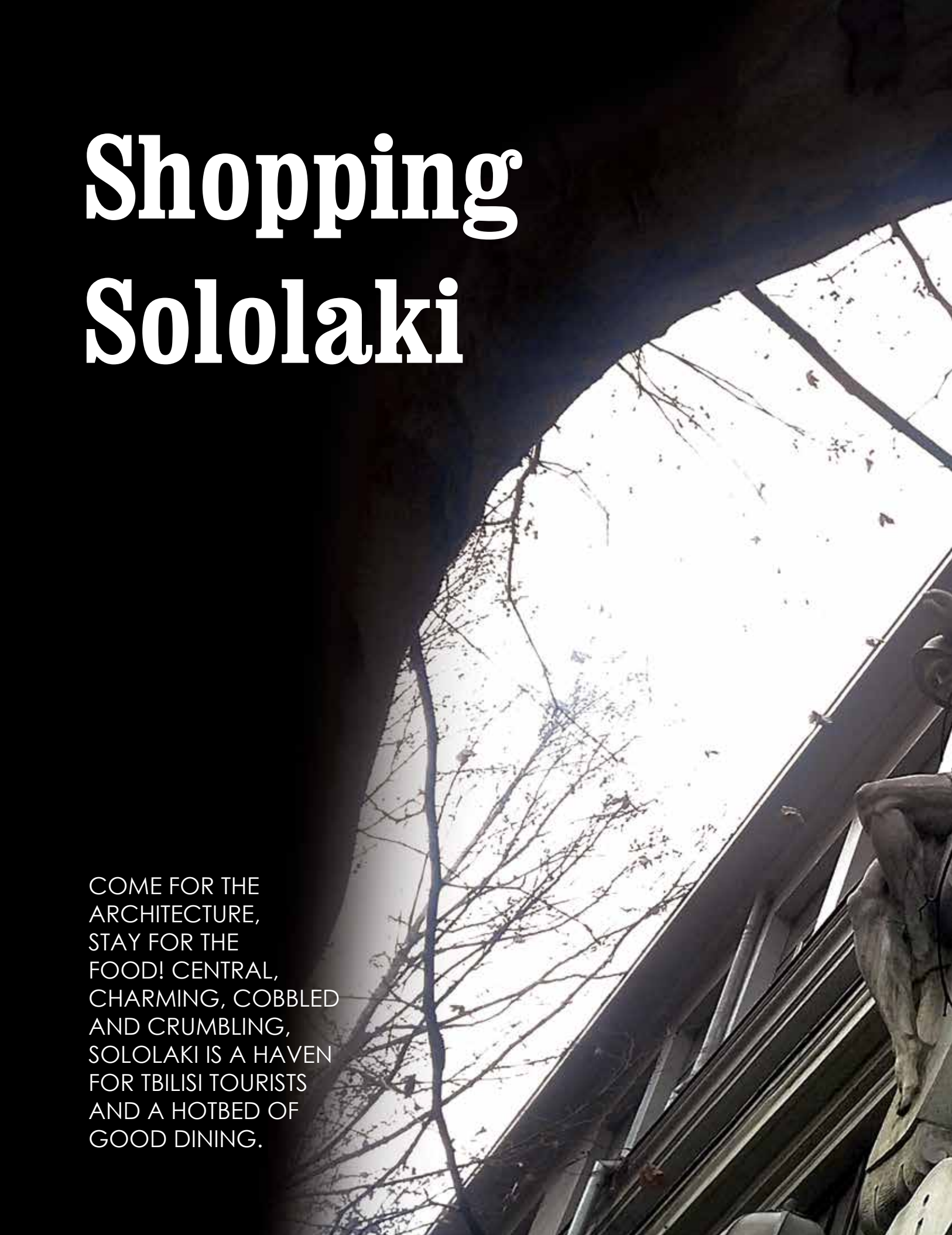
Shopping Sololaki



COME FOR THE ARCHITECTURE, STAY FOR THE FOOD! CENTRAL, CHARMING, COBBLED AND CRUMBLING, SOLOLAKI IS A HAVEN FOR TBILISI TOURISTS AND A HOTBED OF GOOD DINING.

After traversing the city from the suburban heights of Saburtalo to the remodeled facades of Aghmashenebeli Avenue, the third in *Investor.ge's* series on shopping (and eating) in Tbilisi is close to home: the AmCham office is located at the heart of Tbilisi's historic Sololaki neighborhood.

The streets of Sololaki are a treasure of 19th century (and older) architecture, and nearly every block holds a hidden gem of an Italian courtyard or piece of Tbilisi history. From the former residence of the Nobel brothers to the creator

of Sarajishvili brandy, David Sarajishvili – as well as plenty of ghosts from the Soviet era – the Sololaki neighborhood is a mosaic of the city's past.

It is also at the heart of the capital's growing identity as an international tourism and food destination.

The neighborhood is full of shops, cafes and restaurants, so we will tackle the guide street by street, with sincere apologies to all we miss along the way! For a more complete list, check out Culinary Backstreets' great archive of articles about tasty dining in Sololaki at http://culinarybackstreets.com/.

For more detailed information about the history of some of Sololaki's most iconic buildings, see www.sovlab.ge.

Most of the best shopping is intertwined with eating, so it's best to come prepared with good walking shoes, a full wallet and an empty stomach.

INGOROVKA STREET

There are two well established, much loved, and competing Georgian art cafes on this little street that connects Sololaki to the government district: Azarphesha (2 Ingorovka) and Amo Rame (4 Ingorovka).

AMAGHLEBA STREET

Burgio (8 Amaghleba Street)—A small burger/craft beer joint with a cult following.

LEONIDZE STREET

Family Kitchen (1 Leonidze Street)—One might dismiss this gem as yet another ready-to-eat cafeteria, but don't be so quick to judge. What it lacks in ambiance, it makes up for in delicious khabizgina (Ossetian khachapuri), lobiani and pizza—if you have lived abroad long enough to realize that, yes, sometimes you can put mayo on pizza.

KIKODZE STREET

Lui (1 Kikidze Street at the corner of Leonidze and Kikodze) —A neighborhood institution, highly recommended for its apple cake and its tarragon pies.

Ezo (16 Kikodze)—A lovely, popular cafe with a yard, where guests can dine in good weather.

LADO ASATIANI STREET

Bad Dog Bar (33 Lado Asatiani)—Non-smoking and pets allowed! Serves bar food and craft beer.

Tone (in the passage between 23 and 25 Asatiani)—Khachapuri and lobiani baked to crisp perfection in a traditional Georgian clay stove, called a tone.

MACHABELI STREET

Kiwi Cafe (6 Machabeli) is a well-known vegan restaurant, with a menu that includes delicious cookies.

TABIDZE STREET

Tabidze Street is a tiny, cobbled pass that, once upon a time, was a true pedestrian street. Now, it is clogged with cars, most driving in reverse and attempting to merge with the helter-skelter traffic on the square. Proceed with care, although the eating and shopping is worth the risk.

Crafting Corner (23 Asatiani)—Located at the top of Tabidze, on the corner of Tabidze and Asatiani. Part cafe, part gift shop, it is the perfect place to warm up while you buy that perfect-little-something for a friend.

Royal Wine (23 Tabidze Street)—Here you can buy wine, wine and more wine. If you are interested in a Georgian beverage, check it out.

Vino Underground (15 Tabidze Street)—A famous wine bar, known for its knowledgeable staff and rich collection of spectacular Georgian wines.

Georgian Tea House (15 Tabidze Street)—A little shop (which also boasts a tea museum) with an abundant selection of Georgian teas.

DADIANI STREET

Firewok (20 Dadiani)—Homemade noodles, cooked to order, at this great take-out spot.

AMCHAM

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BLC Law Office

AMENDMENTS TO THE TAX CODE WITH UNEXPECTED TWISTS

Effective from January 2017, new amendments were introduced to the Tax Code of Georgia. Key changes in brief:

- Individuals will now be taxed with the property tax on motor vehicles. The initial bill suggested different tax rates for old vehicles. However, eventually the Parliament went for 0.2% for the households with the income in the range of GEL 40,000 to GEL 100,000 and 1% for those above GEL100,000, irrespective of the age of the taxed vehicle. The property tax rate is calculated based on the market price of the vehicle;
- Excise duty on vehicles was increased, ultimately resulting in increase of the vehicle price. Please, note that the increase rate will not affect the vehicles bought till 1 January 2017 and will enter the territory of Georgia until 31 March 2017; As excise duty is calculated based on the engine of the vehicle, cars older than 7 years are expected to carry higher tax burden;
- Excise duty was also increased on the tobacco and tobacco products. As increased tax burden will affect the tobacco price, the amendment intends to incentivize Georgian population to quit smoking and opt for a healthy lifestyle;
- Advances will now be taxed with VAT. New VAT regulations will affect the advances paid for the goods and services supplied after 1 January 2017;
- VAT taxable sale of immovable property will be taxed as of the date of execution of the deed of transfer of title on the property, irrespective of when the payment of the purchase price is due; If the transfer of title depends on performance of any condition or obligation by the parties, VAT is payable on the date of performance of such obligation or condition.

NEW AMENDMENTS TO THE GEORGIAN CIVIL CODE SHAKING UP THE EXISTING LENDING MARKET

On 15 January 2017, game-changing amendments to the Civil Code of Georgia entered into force. The background story behind the amendments: the Government was concerned by significant growth of companies issuing short-term loans online (local typology of payday loans), which are easily accessible, but high-cost loans, coupled with inability of vast majority of population to manage their financial obligations. Online crediting companies issued small, unsecured loans mostly to non-bankable citizens and used to recover the loans by charging tremendously high penalties and default interest rates or extension fees. This segment of the financial sector was deregulated, until now. Pursuant to simultaneous amendments to the Law of the National Bank of Georgia, the National Bank took over the regulation thereof.

The highlights of the amendment are as follows:

- The effective annual interest rate was capped at 100% of the principal amount of the loan;
- Any penalty or any other financial sanction imposed on the debtor for the breach of commissions, fees, any financial expenses, as well as any provision of the loan agreement, in aggregate, shall not exceed annual 150% of the outstanding principal amount of the loan;
- Any loan issued to individual shall be in Georgian Lari only, unless the principal amount exceeds GEL100,000;
- A lender may not impose on the debtor any prepayment fee or penalty, or any fine for early repayment of the loan, which exceeds 2% of the outstanding principal amount of the loan;
- Entrepreneurs or related group of entrepreneurs are allowed to borrow finances in any form from more than 20 individuals, only when the amount so borrowed/attracted from each individual exceeds GEL100,000. The latter regulation shall not apply to commercial banks, credit unions, brokerage companies and public offering of securities, as well as to other financial institutions determined by the National Bank of Georgia.

ENCOURAGE THE "LARISATION" (INCREASE OF THE SHARE OF GEL DENOMINATED TRANSACTIONS) IN THE FINANCIAL SECTOR

As a declared remedy against depreciation of Georgian Lari, the Government has announced so called "Larisation" policy, which entails increase of the share of GEL in the financial sector. For this end, the State undertook to subsidize the conversion of the foreign currency denominated loans issued to borrowers who are less protected from the currency fluctuation risks. In pursuit of the same goal, the new amendments to the Law on the National Bank of Georgia oblige entrepreneurs to denominate the price in Georgian Lari only when offering or advertising goods or services. The said rule comes into force from 1 July 2017. As confirmed by the representatives of the National Bank of Georgia, the requirement to set prices in GEL applies to offers and advertisements only and shall not extend to denomination of contractual price. However, it remains as a practical challenge as to how the price offered or advertised in GEL can be denominated in different currency in the actual contract.

For more information and advise please contact us:

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AMCHAM MEMBERS MEETING WITH UK AMBASSADOR

AmCham hosted a monthly round-table meeting at Courtyard Marriot Hotel on January 26.

Justin McKenzie Smith, British Ambassador to Georgia, presented about the UK's engagement with Georgia and the region, as well as about the UK's future relationship with the EU.

The Ambassador underlined the special relationship that Georgia and the UK have formed over the years and identified areas for future cooperation between the two countries. The presentation was followed by dynamic Q+A between AmCham members and the Ambassador.

MEMBERS MEET US ASSISTANT SECRETARY OF COMMERCE

AmCham hosted a monthly round-table meeting at the Holiday Inn on November 30. Michael Lally, Deputy Assistant Secretary of Commerce, presented about strengthening the U.S.-Georgia commercial partnership. George Welton, Executive Director of AmCham presented findings from the AmCham tax survey financed by USAID as part of the G4G project. The presentation was followed by dynamic Q&A between AmCham members and the speakers.

CHAMBER MEETING WITH THE GOVERNOR OF NBG AND HEAD OF IMF IN GEORGIA

AmCham Georgia hosted a members-only luncheon with Mr. Koba Gvenetadze, Governor of the National Bank of Georgia and Mr. Francois Painchaud, Head of International Monetary Fund (IMF) in Georgia at the Holiday Inn Tbilisi on December 12. Mr. Gvenetadze presented on the current macroeconomic climate in Georgia. Mr. Painchaud gave a presentation about Georgia's economic outlook and de-dollarization. The presentation was followed by a lively Q&A between the members and presenters.

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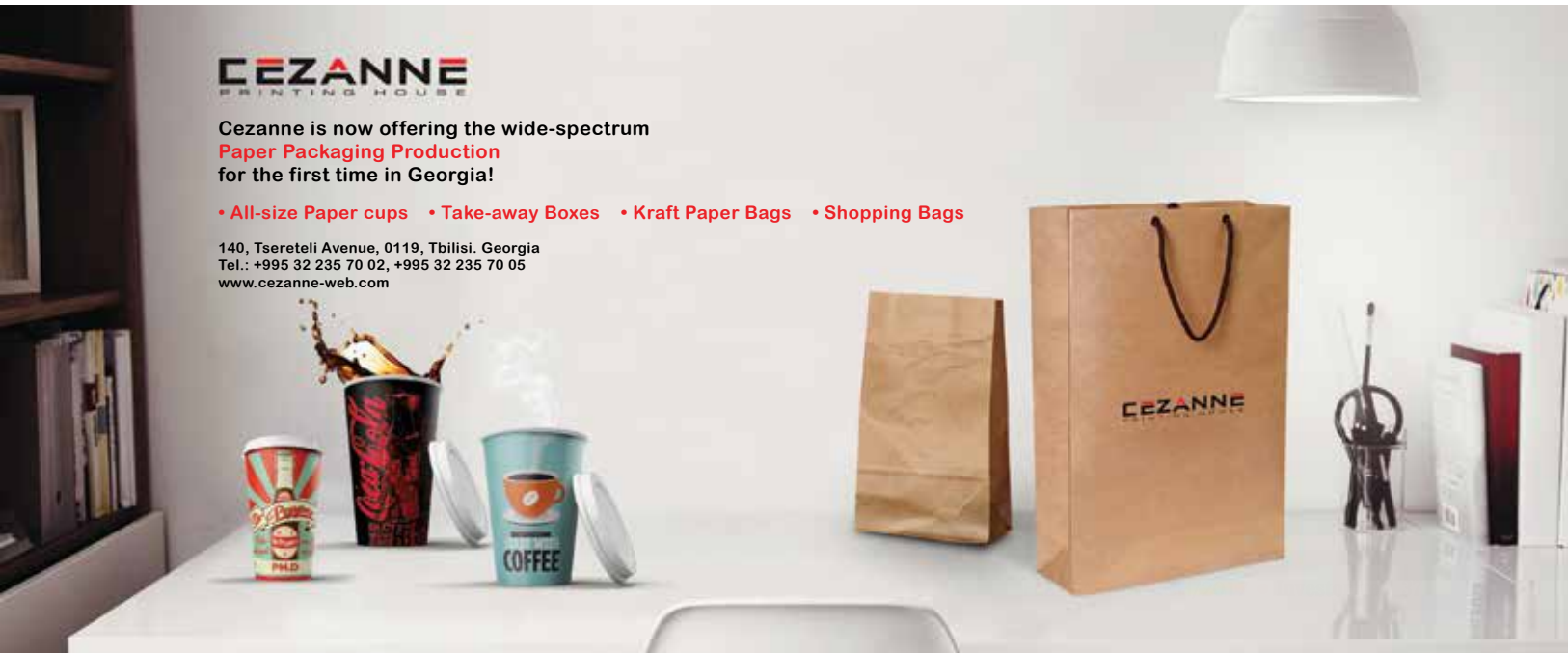

AMC: Bringing Patient-Driven Care to Georgia

AMERICAN MEDICAL CENTERS GEORGIA OPENED ITS FIRST GEORGIAN FACILITY LAST YEAR, COMBINING THE LATEST IN WESTERN MEDICINE PRACTICES WITH HIGHLY EDUCATED AND QUALIFIED LOCAL PHYSICIANS. INVESTOR.GE SPOKE WITH AMC GROUP PRESIDENT ALEX SOKOL ABOUT MEDICAL CARE IN GEORGIA AND WHAT AMC BRINGS TO THE HEALTHCARE MARKET.

American Medical Centers Georgia (AMC) opened in Tbilisi's Vake neighborhood in 2016.

The facility is a marriage of the best the West and Georgia have to offer in medical services, noted AMC Group president Alex Sokol.

"We see Georgia as a tremendous opportunity for concierge and boutique health services, bringing a wholly unique patient-driven model to the city," he said.

"With its highly educated and talented medical professionals, physicians and specialists, competent ancillary or referral facilities, and a respectable business climate, we felt it was time to invest and expand the model."

AMC operates in Eastern Europe and Central Asia, Sokol noted, adding that the group's international experience brings an extra layer of medical attention to the healthcare market in Georgia.

"As an American healthcare network, with our seventh group clinic opening this summer, we are able to leverage important group resources, not only with management and capital, but also established clinical guidelines and protocols, quality assurance standards, and our insurance and affiliate hospital relationships," he said.

"We work with over 40 global insurance providers on a preferred direct billing basis (a cashless service) and are certified as an official affiliate clinic of New York Presbyterian's Executive Registry program, allowing our local physicians to refer for elective procedures or second-opinions. We invest in and encourage regular continuing medical education (CME) and workshops abroad. And we work hard to provide convenient and responsible service for our patients. But the most important AMC differential we feel is the integrity, experience, accountability, and genuine care and compassion of our professionals, the difference in our care providers."

STRONG PRIMARY CARE FOR HEALTHIER LIVES

Georgia's medical reforms are a good step toward creating an effective healthcare sector, Sokol said. He added, however, that a key to providing the best care is making sure patients are seeking primary care before they need the attention of a specialist.

He said: "I would agree with what many Government officials have talked about in the last year or two and is in fact our AMC model: encouraging broader access to primary healthcare will help reduce unnecessary spending. The majority of Georgians visit specialists rather than general practitioners, even for routine care. Experts generally concur that enhancing primary healthcare would allow the government to limit the high cost of hospital-based treatment and increase disease prevention with early diagnoses."

Providing high quality care in a cost-effective way is a challenge, Sokol noted.

"While Tbilisi should provide gold- standard secondary care in specialized units, it also needs to develop a "gate-keeper" approach, or access to specialty care through an increasingly competent primary care or family medicine service," he said.

"Georgia has vast rural areas and we believe that promotion and funding of quality primary care can positively impact the lower-density populations. So primary care promotion, CME training, hospital collaboration, standardized accreditation, and developing a truly competitive patient-driven market will greatly benefit and improve Georgia's health system."

"TREMENDOUS POTENTIAL" FOR MEDICAL TOURISM

Sokol noted that Georgia is gaining popularity as a medical tourism destination due to the increased quality of medical care in the country, as well as its affordability and availability.

"I think there is tremendous potential, specifically in elective narrow specialties such as infertility treatment, surrogacy, dental, or aesthetic surgery. Steps would include regional marketing with greater government sponsorship and promotion in targeted European markets," he said.

"The government's full collaboration with the private sector, combined with the rich natural beauty of this great country, its central geographic location, and a current and historical spa and wellness culture make Georgia an ideal destination for medical tourism."

GTS: Success in 2016

2016 was the beginning of important achievements and changes for GTS Electronics.

The company successfully completed negotiations with the world's two largest companies: French generator manufacturer SDMO and Chinese HUAWEI, which is (except for TV and communication devices) manufacturer of uninterruptible power supply systems (UPS).

As a result, GTS Electronics offers its customers high-quality electric power generators, gasoline and diesel engines and also natural gas engines tha are new for the Georgian market.

Special advantages of SDMO natural gas engine generators are cheap exploitation, low level of noise and the ecological cleanliness.

The second innovation, which GTS Electronics has offered its clients, is Huawei uninterruptible power supply systems (UPS). All products manufactured by HUAWEI satisfy all the best international standards and at the same time their cost is much cheaper compared with its competitors. HUAWEI uninterruptible power supply system's important technical advantage is the possibility to attach external batteries that significantly increases their energy storage and delivery time and, therefore, they are able to replace some of the expensive similar products.

With the renewal of its product range, GTS Electronics moved its customer service to a new stage.

The company implemented a 24/7 service and Operational Response Team is ready at any time to provide technical support to client by remote method and outreach method as well.

In addition, the company in 2016 began a very important process with the intention to receive ISO 9001, ISO 14001, and OHSAS 18000 international quality and management system certificates.

GTS Electronics is a leading electrical uninterruptible power supply systems company in the Georgian market. The company offers its customers a full range of services: projecting, product delivery, installation and further service. Partners of GTS Electronics are leading international companies: DELTA, ELECTROTECH, ALIMAR, ARTRONIC, ESIS POWER and others. In the domestic market, the largest companies using the company's services are: Bank of Georgia, TBC Bank, Radisson Blue Iveria Hotel Tbilisi, Tbilisi Marriot Hotel, Ministry of Internal Affairs of Georgia, Ministry of Defense of Georgia, Evex, Aversi, USA Embassy Tbilisi Georgia and others.

RIVER SIDE HOTEL, TBILISI WINS 2017 TRIPADVISOR TRAVELERS' CHOICE AWARD FOR HOTELS

WORLD'S BEST HOTELS NAMED IN 15TH YEAR OF AWARDS

TBILISI, GEORGIA – 24.01.2017 – RIVER SIDE HOTEL, TBILISI today announced it has been recognized as a winner of the 2017 TripAdvisor Travelers' ChoiceR awards for Hotels. In the 15th year of the awards, TripAdvisor has highlighted the world's top properties based on the millions of reviews and opinions collected in a single year from travelers around the globe. Winners were identified in the categories of Top Hotels, Luxury, Bargain, Small, Best Service, B&Bs and Inns, Romance and Family. The hallmarks of Travelers' Choice hotels winners are remarkable service, value and quality.

"We are honored to have won Travelers' Choice Awards for the third time in a row" – said Dimitri Shvelidze, deputy director of RIVER SIDE HOTEL – "We would like to thank all the guests who stayed at RIVER SIDE and took time to write about their experiences in our beautiful hotel. Also, we would like express our gratefulness to our entire team of RIVER SIDE & TIFFANY BAR who made this great celebration happen. Their hard work is invaluable."

"For the past 15 years, TripAdvisor has relied on the experiences and opinions of our travel community that has explored thousands of hotels around the world to determine these celebrated awards," said Barbara Messing, Chief Marketing Officer for TripAdvisor. "Travelers planning their trips for 2017 can find inspiration for some of the best places to book from this group of outstanding accommodations around the globe."

For all of the 2017 Travelers' Choice Hotel winners, visit https://www.tripadvisor.com/TravelersChoice- Hotels.

Travelers can also follow the conversation on Twitter at #travelerschoice

NEW MEMBERS

Willis Towers Watson Ltd.
Corp A

Willis Towers Watson in Georgia provides a broad range of risk advice and insurance broking services to clients ranging from small businesses to international corporations. Services include: risk management, creating insurance products on the basis of complex analysis, getting the terms and prices from insurance companies, analyzing offers and choosing the best option working on reinsurance, offering international health insurance, and providing services after insurance. Willis Towers Watson is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path of growth.

www.willis.com

T3Concept Ltd.
Corp B

Turner Broadcasting Systems has granted the right to the T3Concept Ltd. to represent, negotiate and sign license agreements for distribution of CNN, Cartoon Network and Boomerang channels on behalf of Turner on the territory of Georgia, Armenia and Azerbaijan. As awholly owned subsidiary of Time Warner Inc., Turner creates and programs branded news, entertainment, sports, animation, and young adult multi-platform content for customers around the world. T3Concept, among other activities, works to improve the brand's competitive position in the market and with Turner strives to defend its intellectual property rights against piracy and unlicensed copying and distribution, as well as working for brand extension and recognition throughout territory.

www.t3concept.ge,
www.turner.com

Civil Development Agency (CiDA)
Non-Profit

CiDA is a regional civil society organization established in 2002 in Rustavi, Georgia, which supports and promotes the social and economic rights of Georgian citizens by providing direct services and/or enables constituents to engage in networking opportunities to solve community problems.

One of the principal directions of CiDA's work is coordination and development of the Regional Civil Society Network (R-CSN) connecting 64 CSOs from all regions of Georgia, established in 2013.

CiDA is one of the few organizations in Georgia that has been working on promotion of international corporate responsibility standards among relevant stakeholders in Georgia, such as businesses, CSOs, Government.

CiDA is a leading CSO in Georgia in the field of capacity development of democratic and human rights institutions.

www.cida.ge

8TH TBILISI GALA BENEFIT BURNS SUPPER AND BALL

HELD AT THE FUNICULAR BALLROOM ON FEBRUARY 4TH, THE ANNUAL EVENT AND CHARITY AUCTION RAISED FUNDS FOR TEMI – A CARING COMMUNITY WITH A STIMULATING ENVIRONMENT FOR SOCIALLY VULNERABLE PEOPLE IN EASTERN GEORGIA; CATHARSIS – A COMMUNITY CHARITY WHICH HELPS THE HOMELESS ELDERLY, IN PARTICULAR BY PROVIDING THEM WITH DAILY HOT MEALS IN ITS CANTEENS; AND DOG ORGANIZATION GEORGIA – PROVIDING SHELTER FOR STRAY DOGS ALONG WITH STERILIZATION, IMMUNIZATION AND HOMING PROGRAMS.

ANNUAL AFG GALA

THE ANNUAL CHARITY GALA OF AMERICAN FRIENDS OF GEORGIA WAS HELD IN DECEMBER 2016 IN GARDEN HALL. OVER 250 GUESTS FROM LEADING CORPORATIONS AND DIPLOMAT CORP, CELEBRATED CHRISTMAS IN THE SPIRIT OF PHILANTHROPY AND CORPORATE SOCIAL RESPONSIBILITY TO RESTORE LIFE FOR THE MOST NEEDY CHILDREN AND ELDERLY. THE CULMINATION OF THE EVENING WAS LIVE AUCTION AND RAFFLE PRIZES THAT MADE THE EVENING MEMORABLE. CONTRIBUTIONS FROM OUR LONG-TERM PARTNERS RESULTED IN RAISING OVER $90,000 FOR THE RECONSTRUCTION OF DZEGVI ORPHANAGE/SHELTER AND PALLIATIVE HOME CARE PROGRAM.

BACK TO BUSINESS COCKTAIL HOUR AT DINEHALL

ON JANUARY 20TH, AMCHAM GEORGIA HOSTED A BACK TO BUSINESS COCKTAIL RECEPTION FOR AMCHAM MEMBERS AT DINEHALL. AMCHAM PRESIDENT MICHAEL COWGILL GREETED THE GUESTS AND THANKED THE NEWLY JOINED MEMBER, DINEHALL, FOR HOSTING THE RECEPTION. MR. COWGILL INFORMED GUESTS ABOUT AMCHAM'S UPCOMING EVENTS. THE RECEPTION WAS ATTENDED BY AMCHAM MEMBERS, FRIENDS AND HEADS OF FOREIGN DIPLOMATIC MISSIONS. MEMBERS USED THE OPPORTUNITY TO RECONNECT WITH EACH OTHER.

HOLIDAY RECEPTION AT FUNICULAR LOUNGE AND BAR

ON DECEMBER 9TH, AMCHAM GEORGIA HOSTED A MEMBERS APPRECIATION HOLIDAY RECEPTION AND NETWORKING EVENT AT THE FUNICULAR LOUNGE AND BAR. IT'S BEEN A WONDERFUL YEAR FOR AMCHAM WITH MORE EVENTS, MORE POLICY INITIATIVES AND MORE NEW MEMBERS. GUESTS WERE WELCOME TO ENJOY COCKTAILS, MULLED AND GEORGIAN WINE ALONG WITH DELICIOUS HOLIDAY FOOD AND AMERICAN-STYLE DESSERTS. AMCHAM PRESIDENT MICHAEL COWGILL GREETED THE GUESTS AND BRIEFLY HIGHLIGHTED THE ACHIEVEMENTS AND CHALLENGES OF THE PAST YEAR. AMCHAM VICE-PRESIDENT SARAH WILLIAMSON RECOGNIZED TED JONAS, EX-BOARD MEMBER OF AMCHAM, FOR HIS 10 YEARS OF COMMITTED SERVICE TO AMCHAM AND ITS GOALS. MEMBERS USED THE OPPORTUNITY TO RECONNECT WITH FRIENDS AND COLLEAGUES.

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GEORGIAN ECONOMY: PROSPECTS AND CHALLENGES

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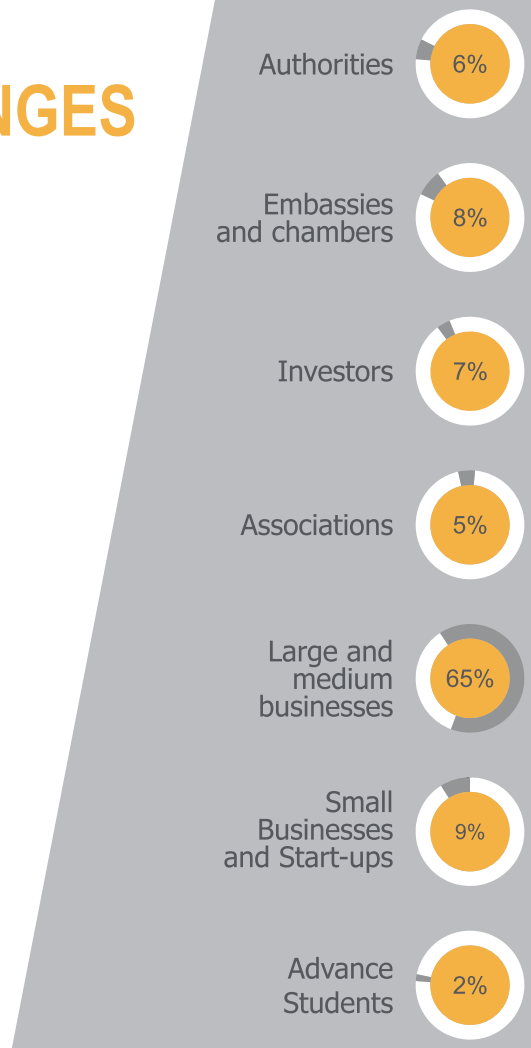

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