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More flights, expanded facilities and better public transportation are just a few of the plans to improve Georgia's air sector.

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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.

$80 MILLION IN LOANS CONVERTED TO LARI

Loans worth nearly $80 million have been converted to Georgian lari, agenda.ge reported on March 24.

The loans were converted as part of the government's Program on the Larization of Loans, which was a two-month initiative that launched in January as part of a wider effort to ease the debt burden in the country.

Around 33,000 loans were eligible for the program, according to government estimates.

EXTERNAL TRADE UP 18 PERCENT

Georgia's external trade is up 18 percent, according to official statistics, agenda.ge reported on March 20.

External trade was worth $1.4 billion in January-February 2017, according to Geostat, the national statistics office.

Georgia's top trade partners were Turkey ($198 million in trade turnover), Russia ($163 million in trade turnover) and Azerbaijan ($146 million in trade turnover).

Trade turnover is up with several countries, including EU countries (15 percent) and CIS countries (40 percent).

NEW FRUIT FACTORY IN WESTERN GEORGIA

A new fruit freeze-drying plant opened in Georgia's western Samegrelo, region agenda.ge reported on March 22.

Prime Minister Giorgi Kvirikashvili and Minister of Agriculture Levan Davitashvili opened the plant, which will produce over 22 tons of different dried fruits per year, the report said.

The factory, owned by Gemuani Ltd., employs 30 people and will sell goods locally and overseas.

Gemuani is part of Georgia's United Agro Project and received $484,512 from the Ministry of Agriculture's Agriculture Projects Management Agency (APMA)'s Preferential Agro Credits Program, the report said.

Gemuani also received $250,000 in foreign grants.

NEW 42-KILOMETER HIGHWAY PLANNED

Prime Minister Giorgi Kvirikashvili announced plans for a new, 42-km highway connecting eastern and western Georgia, agenda.ge reported on March 23.

The new four-lane highway will be built on Rikoti Mountain Pass.

"This road will link east to west and also will have a transit function for neighboring countries. This is a very important part of our Spatial Arrangement Plan, and I am glad to see the fast pace of the development process", Kvirikashvili said.

Financing for the $800 million project comes from the Asian Development Bank.

NEW "GOVERNMENT CITY" PLANNED FOR TBILISI

The Georgian government is developing a "government city" where all state ministries will be located in the capital Tbilisi, agenda.ge reported on March 23.

The project will be built in the Ortachala district of the city.

"A huge territory is already allocated where all the ministries will be replaced. This is good as more free space will be created for new offices and new hotels in the centre of the city. Also, on the other hand, the construction sector will be given a stimulus," Prime Minister Giorgi Kvirikashvili was quoted as saying.

GEORGIA, U.S. DEEPEN RELATIONS

Georgia is ready to strengthen its strategic partnership with the United States, Foreign Minister Mikheil Janelidze said following an official visit to the United States.

He cited his trip as evidence that both sides are committed to stronger ties, agenda.ge reported on March 24.

Bilateral cooperation in security and trade-economic relations were discussed with US senators, members of Congress and other representatives of the U.S. government during the visit, the report said.

Janelidze met with members of the U.S. Congress, and discussed developments in the region and the situation in Georgia's breakaway provinces of Abkhazia and South Ossetia.

"We will do our best to make sure that Georgia's security and the security of the region, as well as trade-economic cooperation with the U.S. will further develop," Janelidze was quoted as saying.

New Investments Strengthen Georgia's Place on the New Silk Road

2017 WILL BE REMEMBERED AS A YEAR THAT BROUGHT MAJOR DEVELOPMENTS TO BOTH POTI AND ANAKLIA. WITH GROWING CAPACITY IN SHIPPING AND INDUSTRIAL PRODUCTION, GEORGIA'S BLACK SEA COAST LOOKS POISED TO HELP THE COUNTRY FULFILL ITS PROMISE OF BECOMING A KEY STRETCH ON THE "NEW SILK ROAD" BETWEEN ASIA AND EUROPE.

JOSEPH LARSEN

This January, CEFC China Energy Company Limited, a multinational company with headquarters in Shanghai, signaled it would enter the Georgian market for the first time by purchasing a 75 percent share in the Poti Free Industrial Zone (FIZ).

A memorandum of understanding (MOU) on the deal has been signed, but no concrete information about a timeline for the investment has been publicly released.

Investor.ge was told by the Prime Minister's office that there have not been any developments concerning the agreement since the MOU was signed.

CEFC launched in 2002 and specializes in the fields of oil and gas, financial operations, and industrial processing. The latter area will be the main focus at the Poti FIZ, a 300-hectare zone that has housed companies producing everything from wood products to steel to IT services. There, goods can be produced exempt from profit- and value-added taxes and then loaded onto container ships at the nearby port, from which they're bound for export markets in Europe and elsewhere.

"THE STRENGTHENING OF GEORGIA AS A TRANSPORT AND LOGISTICS HUB"

On January 16, CEFC signed a memorandum of understanding with the Ministry of Economy and Sustainable Development. Under the agreement, the company will develop the FIZ by sharing its practices and technologies, and will work to attract investments in processing, modern technology, warehouse management, and logistics. CEFC ▸▸

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has offices in 11 countries and its total 2015 revenue topped RMB 263.1 billion ($38.1 billion).

"Given its experience, performance, and expertise, CEFC China Energy Company Limited can make a tremendous contribution not only to the development of the Poti Free Industrial Zone, but to the strengthening of Georgia as a transport and logistics hub," read a statement from the Ministry of Economy.

What's more, the government views the entrance of another major Chinese investor as an example of Georgia's importance on the "New Silk Road" linking Asia to Europe. According to the Ministry, the project's goal is to "encourage the realization of the potential of the New Silk Road through implementation of joint initiatives."

From 2009 to 2016, the FIZ was wholly owned and operated by RAKIA Georgia Free Industrial Zone LLC, a subsidiary of the United Arab Emirates-based RAK Investment Authority (RAKIA). RAKIA returned 85 percent of its shares to the government in October 2016 in exchange for being released from its investment obligations.

The FIZ is adjacent to the town of Poti, the site of a major seaport built during the 19th century. The port currently employs more than 1,000 employees and handles roughly 9 million tons of cargo each year.

Up the coast in Anaklia—a 70-minute drive from Poti—a much bigger project is in the works, one that promises to transform Georgia's logistics infrastructure.

"THE PROJECT OF THE CENTURY"

Later this year, the Anaklia Development Consortium—a group that includes TBC Holding and Conti International, a U.S.-based company specializing in capital asset projects and construction management—will break ground on the Anaklia Black Sea Deep Water Port Project, which Georgian Prime Minister Giorgi Kvirikashvili called "the project of the century" in October 2016.

The port represents Georgia's largest infrastructure project and could involve a total investment of up to $2.5 billion. Once finished, Anaklia will be Georgia's largest port, dwarfing both Poti and the country's second port at Batumi. As the country's only deep water port, it will be able to handle ships much larger than the 1,500 Twenty-foot Equivalent Unit (TEU) ships that currently move in and out of Poti.

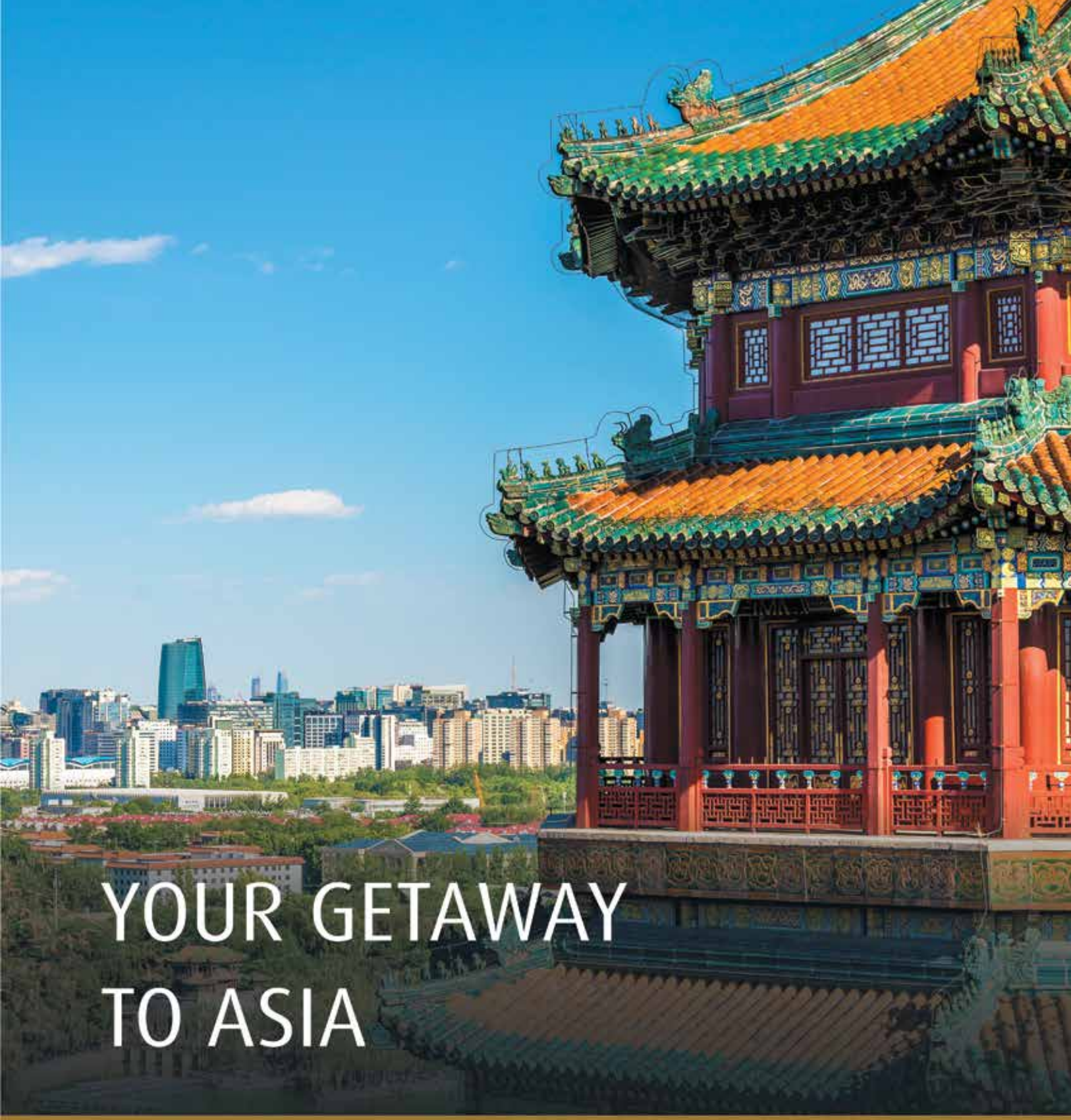
Anaklia's geography—both its depth and relative proximity to European markets—make it uniquely suited to serve large vessels. During an interview with *Investor.ge*, Levan Akhvlediani, CEO of Anaklia Development Consortium, said he expects the new port to seize a leading position in Georgia's container market:

"The ability to accept large vessels will enable shipping lines to take advantage of economies of scale and thus make transportation of containers more cost effective. Consequently, this would boost the competitive advantage of Georgia as a transit country and over time will surely attract larger volumes of transit cargo."

Akhvlediani expects the Anaklia port to eventually capture 60 percent of the Georgian container market. During the first phase of operation, which is scheduled to begin in 2020, the port will be able to handle 900,000 TEU annually, a 50 percent increase over Poti's capacity of 600,000 TEU annually. "The utilization of the port will encompass export, import and transit cargo," added Akhvlediani.

Anaklia will be more than the site of Georgia's largest port, however. The development includes its own 600-hectare FIZ—twice the size of the zone in Poti. Akhvlediani is confident that the Deep and Comprehensive Free Trade Agreement (DCFTA) signed between Georgian and EU in 2014 will help incentivize investment in the FIZ as well:

"The FIZ is very important. Its attractiveness saw a significant boost once the DCFTA with the EU was signed. We already have significant interest from neighboring countries to establish their operations, since it offers a double incentive for them: first, free trade and access to the EU market and, second, the near-zero taxes within the FIZ. Overall, we believe the FIZ will offer a significant added value to the port throughput and the economy in general."



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Making a Difference in Education:

MILLENNIUM CHALLENGE GEORGIA

GEORGIA'S $140-MILLION COMPACT WITH THE U.S. GOVERNMENT'S MILLENNIUM CHALLENGE CORPORATION IS INVESTING IN EDUCATION – DEVELOPING THE HUMAN CAPITAL GEORGIA NEEDS TO CREATE A COMPETITIVE ECONOMY IN THE 21ST CENTURY.

Human capital investment is key to creating a skilled and educated work force that can contribute to economic development. That means the development of human capital by ensuring the provision of demanded skills and knowledge benefits not only for individuals but also the entire economy of a larger community or a country. For a country like Georgia, with the GDP per capita of $3,766.60 and an unemployment rate of slightly more than 24 percent, the knowledge based economy requires consolidated efforts from the government, corporate sector and international community. Hence, among many legislative and policy reforms, the unified commitment of the governments of Georgia and the United States to reduce poverty through creating economic growth in Georgia resulted in signing the Second $140 mln Compact with the U.S. Government's Millennium Challenge Corporation (MCC) in 2013 which is implemented by Millennium Challenge Account-Georgia (MCA-

Georgia). MCC is an innovative and independent U.S. foreign aid agency that is helping lead the fight against global poverty. The Compact is an international agreement signed between the government of Georgia and the MCC and ratified by the Parliament of Georgia. The Compact has historic significance for Georgia's economic development as it seeks to increase Georgians' earning potential by addressing weaknesses in the quality of education in science, technology, engineering and math (STEM) and strengthening Georgia's ability to attract investment in fast-growing sectors such as energy, construction, agriculture, information technology and transportation/ logistics. MCC's compact aiming at the development of human capital in Georgia is in line with the country's national economic development strategy elaborated by the government of Georgia and will increase the competitiveness of the private sector as a major driving force for economic development. Consequently, to increase the impact and sustainability of the Compactt, MCA-Georgia works on developing partnerships with the private sector to promote private investment in and around the Compact-funded educational projects in STEM disciplines.

The second Compact is the U.S. government's and the American tax payers' largest investment in the field of education in Georgia thus far and aims at responding to the constraints of economic growth by supporting the enhancement of STEM-education quality and the wider public's accessibility to benefits through implementing projects in general, vocational and higher education. Consequently, the key goals of the second Compact are to improve Georgia's general education quality through infrastructure improvements to learning environments in Georgia's regions, provide training for educators and school managers, to lend support in conducting classroom and national assessments, and to bolster participation in international education assessments; strengthen linkage between in-demand skills and the supply of Georgians with technical skills relevant to the local economy; and to support the development of high-quality STEM programs in Georgia.

Improving General Education Quality Project

The General Education Component's goal is to rehabilitate public school facilities in the regions of Georgia, design infrastructure operation and maintenance (O&M) programs, support teacher and school management professional development, implement national assessments, and fund the participation of Georgia in international assessments. As part of the Compact, MCA-Georgia plans to rehabilitate up to 100 public schools in the regions of Georgia and improve the learning environment for over 37,000 students by 2019.

Industry-led Skills and Workforce Development Project

The Compact aims to improve the linkage between market-demanded skills and the supply of Georgians with technical skills relevant to the local economy. Investments to support technical vocational education and training ("TVET") are necessary to address labor market demands to reduce unemployment and promote economic growth in Georgia. Grant programs and the technical assistance component are implemented under the MCC Compact with the goal of improving the linkage between industry-demanded skills and the supply of Georgians with technical skills relevant to the local economy in the fields of engineering, science, and technology. In 2016, a total of $12 million was granted to ten Georgian TVET providers for the implementation of industry-led skills workforce development projects.

STEM Higher Education Project

The Compact enables Georgian students to acquire U.S. education and diplomas without leaving the country. The project's objective is to introduce U.S. educational programs in STEM disciplines in Georgia and develop the capacity of Georgia state universities. The project is being implemented together with San Diego State University's (SDSU) main campus, winner of MCA-Georgia's international tender. Programs are implemented at three state universities – Ilia State University, Ivane Javakhishvili Tbilisi State University, and Georgia Technical University. Since 2015, students have been able to enter the following bachelor's programs at SDSU: Computer Sciences; Computer Engineering; Electric Engineering; Chemistry/ Biochemistry; Civil Engineering (new program, to begin in 2017); .Construction Engineering (new program, to begin in 2017).

Currently, a total of 206 students attend classes at San Diego State University Georgia. The student body includes students from Tbilisi and all regions of Georgia, as well as 12 international students from six different countries, and American exchange students from the San Diego campus in California. Infrastructure rehabilitation and equipping is ongoing at SDSU's three partner universities. Since 2015, 2,960 square meters area has been rehabilitated and equipped. At TSU and GTU, chemistry, computer, electric engineering labs and auditoriums have been opened. Organic- chemistry and computer-engineering auditoriums have been set up and equipped.

It is estimated that due to the enhancement of human capital in Georgia, by the end of the Compact in 2019, up to 1.7 million of Georgians will have improved their lives.

Creating a Brand for Investment

GEORGIA ATTRACTED NEARLY FIVE PERCENT MORE INVESTMENT IN THE FIRST NINE MONTHS OF 2016 THAN THE YEAR BEFORE—A GOOD START. AN INITIATIVE AT THE STATE-RUN GEORGIAN NATIONAL INVESTMENT AGENCY TO CULTIVATE INTERNATIONAL GEORGIAN BRANDS MAY BE THE KEY TO BRINGING IN MORE FOREIGN DIRECT INVESTMENT THIS YEAR AND IN THE FUTURE.

SALLY WHITE

For Prime Minister Giorgi Kvirikashvili, "eliminating any negative results for business and the private sector" is of paramount importance. Last year, one result was that Georgia pulled in nearly five percent more in foreign investment in the first nine months alone.

A BLUEPRINT FOR INVESTMENT

In 2017, the Georgian National Investment Agency (GNIA) is able to woo investors with financial incentives and initiatives, the country's increasing productivity and expanding markets, rising exports and escalating visitor numbers. Georgia is creating international brands to help launch its products across many of its consumer sectors—tourism, wine, food, film and fashion are attracting plaudits in Europe in the U.S. and Asia.

Most important, Georgia is building a spreading network of new "Silk Roads" in which it is the hub. GNIA blueprints for Georgia build on the expansion of sea, air, road and rail infrastructure to support Georgia as an East-West gateway. Now it is getting the trade agreements. Georgia's trade world is opening up rapidly.

GNIA's 2017 presentations show a most auspicious start. The year kicked off with the corporate tax rate being reduced to zero and a very full shop window of potential projects. Later this year will come another very important milestone for business in Georgia—a preliminary free trade agreement (FTA) with China is scheduled to take effect before the end of 2017. This adds to free trade agreements already in place with the EU, CIS countries and Turkey as well as preferential tariff systems with the U.S., Japan, Norway and Switzerland.

Showcased areas for 2017 include, according to the Ministry of Economy, the following on-going target areas for investment and business generation (although the list seems always to be growing, with aircraft-part manufacturing (Israel) the latest corporate arrival!):

- food processing
- textiles
- IT
- engineering
- hi-tech manufacturing
- energy (especially hydro)
- tourism
- film
- education
- logistics
- renewables

Nor is domestic business and investment being ignored. Kvirikashvili, in his closing 2016 report, said that all state programs, such as Produce in Georgia, Check-in Georgia, Host in Georgia, Film in Georgia and others will also continue in 2017. So, it seems, will the proliferation of social media messages and blogs that are propelling international publicity for Georgia's tourism (from skiing to wellness destinations), wine, cuisine and film.

Internationally, the Ministry of Economy and GNIA's efforts in 2017 are aimed at "Japanese and Chinese investors in terms of high-tech manufacturing as well as assembly operations to be relocated to Georgia," according to Kvirikashvili.

Turkey and Iran "represent our target markets to attract more investors in food processing, agri-business and other light-manufacturing directions," the Prime Minister indicated in his report.

For the development of "the tourism infrastructure and hospitality sector in Georgia, our target markets are the UAE (United Arab Emirates), Turkey and other European countries, as well as China and Iran," he stated.

For export-orientated manufacturing "we are targeting EU member states to attract investment ..."

Everyone is being invited to bid for the 94 hydropower plant projects for which the Ministry of Energy of Georgia has prepared pre-feasibility studies.

The GNIA will be "on the road" this year in Italy (at a business forum), the UAE (at a business forum), Japan (for road shows), Germany (for a wide variety of activities) and back home there will be a Silk Road Forum in Tbilisi in July.

While, for most sectors, it is too early to judge the profitability that foreign investors are seeing in Georgia, the view

Photo by Wines of Georgia

on those longer-established, leisure and retail developments is looking good. International real estate group Colliers International comments that Tbilisi business rentals top those in comparable cities, with yields in 2015 even reaching 12 percent versus 5.8 percent in Prague and 6 percent in Warsaw.

The rush of international hotel groups to open up in Georgia bears witness to the attraction of the Georgian market—Galt & Taggart estimated last year "that $1 billion will be spent in brand hotel development over 2016–2018."

Good, too, are the prospective profitability of logistics and other infrastructure sectors—"a category sector of increasing interest," IPE Real Estate magazine commented in its January/February issue, to yield-hungry mega investment funds, transnational banks, sovereign wealth funds and hedge funds. "Infrastructure is becoming a global institutional asset class," it says, naming ports, toll-roads and utilities infrastructure as prime targets.

Georgia is developing in all these categories: the government will implement infrastructure projects worth over $5.5 billion in 2017-2020, according to the Ministry of the Economy, of which 55 percent will go toward road infrastructure.

THE CHINESE FACTOR

This fits most auspiciously with China's strategy to reach Western markets via Georgia. The focus of the GNIA and other government ministries on China has resulted in that country's first substantive free trade agreement (FTA) negotiations in Eurasia.

Georgia's Ministry of Economy points out that the agreement with Georgia will remove "all tariffs for most of the two nations' commodity trade, as well as pledging to open many service-sector markets and improve bilateral trade laws while identifying key areas for enhancing cooperation."

As a Central Asian Caucasus Analyst briefing paper describes, "Georgia will come well and truly established as a key staging post in China's One-Belt-One-Road, as the FTA, which will coincide with the opening of the oft-delayed Baku-Tbilisi-Kars (BTK) railway, will make Georgia an integral component of China's 'One Belt, One Road' trading network."

It adds that "Georgia could, by positioning itself as an integral component in this economic network, provide additional shelter from Russian pressure."

Linking in with the collaboration agreed to between Georgian Railways and Germany's Deutsche Bahn transport company, this places Georgia in the middle of the trans-Caspian movement of goods between China and Europe. Also, it places Georgia in a second corridor providing for the movement of goods to and from Europe to Iran and Iraq via Georgia. Last, but very much not least in 2017, comes capital markets (including the stock market) development. The Ministry of Economy has said this is "one of the top priorities in the government of Georgia's reform agenda." Among other issues, there is awareness that investors need to know how they will be able to exit. As an old London stock market adage says, "a profit is not a profit until it is in the bank."

Innovation in Action: Georgian Dairy Sector

Changes in how Georgian farmers work can help them produce more milk and earn more.

Innovations in farming techniques have helped farmers improve in countries around the region, including Georgia, according to the Food and Agriculture Organization (FAO) and the European Bank for Reconstruction and Development (EBRD).

The FAO/EBRD are currently implementing a project to improve food safety in Georgia's dairy sector. Part of the project was the First Caucasus Dairy Congress, held in Tbilisi on March 14.

The conference focused on global dairy business trends, the latest technologies and market information tools.

"The private sector is a driver of innovation and can lead the way through research and development activities," Kateryna Poberezhna, FAO-EBRD Project Coordinator, told *Investor.ge*.

She added that local companies do not have opportunities to tap into knowledge and research for several reasons, including underinvestment and low penetration of the best available technologies; lack of know-how and skills to introduce new products, processes and technologies; and costs and barriers to applying international best practices.

"This results in low productivity and quality standards compared to international peers," she said.

"Through the FAO-EBRD joint project in the dairy sector we provide tailored advice to Georgian commercial farms to access technology and know-how to grow their business and innovate. In less than a year, Georgian commercial dairy farmers have made a significant improvement in productivity (+20%) and quality of milk just by application of modern methods," noted Poberezhna.

"At the First International Dairy Congress we've shared knowledge and know-how in modern milk production with the focus on untapped potential of the sector in the region and particularly, in Georgia. Through this project we will continue supporting improvements in the dairy sector and encourage agribusinesses to spur innovation across the country."

The Silent Revolution in Georgian Agriculture

MORE THAN HALF OF THE POPULATION OF GEORGIA IS WORKING AS SMALLHOLDER FARMERS. BY USING THE BENEFITS OF THE INTERNET, INNOVATIVE GEORGIAN STARTUPS SEEK TO UNLEASH FARMERS' POTENTIAL.

MAARTEN DE BOER

Technological innovation in agriculture is nothing new. Handheld tools were the common practice for centuries, until innovation brought fertilizers and tractors. With the arrival of the internet, the future of farming is about to be pushed to another level. The small scale of Georgia's agricultural landscape and the business-friendly climate has made Georgia an experimental playground for so-called "agtech" startups.

COLLAPSE OF AGRICULTURE

The fall of the Soviet Union put an end to collective ownership but simultaneously led to land fragmentation and a significant decrease in production.

Even though 53% of the population is currently working in agriculture, the income-share of agriculture in Georgia's GDP is only about 12%. This is partly due to the fact that about 70% of the farms in Georgia have less than 1 hectare of land. The small size of these farms and farmers' lack of access to knowledge, finance and the consumer market are hindering further development.

SILENT REVOLUTION

Assistance to smallholder farmers is increasingly offered in an unexpected way: by young, tech-savvy entrepreneurs. Last month, the Georgian startup Traktor released an innovative application for smallholder farmers. "Despite farming being the most common occupation [in Georgia], we noticed that farmers still use outdated methods. We realized that with modern technology, we could easily help them to innovate," Mark van Embden, COO of Traktor, explained.

The startup released an application for Georgian farmers with more than 70 instructional videos about modern agricultural practices. These videos have already been viewed over 600,000 times, a significant amount in a country of 3.7 million people.

The founders of Traktor realized farmers need more than just knowledge. "For farmers, it is also a matter of having access to the right input supplies," CEO Jonne Catshoek adds. For this reason, the application

has integrated an online shop. The impact of such an initiative could be tremendous. Smallholders from all over Georgia can now buy a large variety of high-quality agricultural seeds and other inputs for reasonable prices, delivered to their doorstep.

CONNECTING PEOPLE

"You have fragmentation of information, fragmentation of land and of value chains. The internet can help to deal with this fragmentation," Hans Gutbrod, one of the initiators of the online platform Magro, tells *Investor.ge*. "The existing interventions often fail to acknowledge that there are hundreds of thousands of smallholder farmers for whom the classic outreach methods are not the answer. By organizing trainings, you don't reach sustainability, but by making information openly accessible and available online, you do."

Gutbrod and his Georgian partners founded the platform Magro, which connects beekeepers to consumers. "We offer beekeepers a platform to list and sell their honey. We don't take any commission, we just want to make it possible," he said.

"In the future, we also want to provide beekeepers with access to inputs. Beekeepers are scattered throughout Georgia, but their suppliers are not. To illustrate this: for smallholders in rural areas it's hard to find people that will do a design, that will print labels or that supply jars. By bringing people online you make it easier for them to get this kind of supply and sell their product."

GOVERNMENTAL SUPPORT

The government is highly interested in initiatives that could help to decrease poverty and professionalize agriculture. Recently, the Georgian startup AgroPark was awarded a 90% equity grant by the governmental initiative Startup Georgia. With Agropark's app, people are able to buy land with the press of a button. The price of land will include the cost of agricultural labor and technology (like sensors and portable water pumps). The local farmers work for a fixed salary, a share in the profits and access to technology.

"This is globally the first e-commerce experience of buying land," founder Giorgi Naksahidze says. "And it's risk free for locals. They don't have to pay anything. No upfront cash, just profit share."

"In some countries, the bureaucracy can really get in the way when you are dealing with investments in land. It was reassuring for us that the government is supporting such initiatives. They want to help local communities making more money from their land and from the work that they are putting in," Naksahidze said.

NOT THE TYPICAL STARTUP SCENE

"The term 'startup' might give you the wrong idea when dealing with agriculture," Gutbrod notes. "When people talk about startups, they are talking about things that scale up rapidly and have a quick impact. With regard to agriculture, people should take an 18-24 month horizon. It needs a lot of engagement and patience. The key is that internet applications are not taking much away from rural people, like Amazon.com does with bookstores. They are making something possible."

The Georgian business community is eager to help these kinds of initiatives to flourish, as the release of Traktor has shown. "We realized that if farmers spend limited time on the internet, we have to bring them to the internet," Mark van Embden mentions. "That's why we are cooperating with telecom operator GeoCel. When farmers subscribe to Traktor, GeoCel will allow them to buy smartphones with a data bundle for just $3 a month."

And with increasing rural internet use, a favorable business climate and a young and educated population, these initiatives only seem to be the beginning.

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GEORGIA BECOMES FIRST COUNTRY
to Register Property on Bitfury's Blockchain

A NEW AGREEMENT BETWEEN GEORGIA'S JUSTICE MINISTRY AND BITFURY IS AIMED AT MAKING PROPERTY REGISTRY MORE SECURE AND MORE TRANSPARENT.

NINO BAKRADZE

Bitfury, a leading bitcoin mining company, and the Georgian Ministry of Justice are working on a project to use blockchain technology to make property registration more transparent.

"All new property registration and land title updates have been done by using the blockchain system since February 2017, and it does not cost anything for our citizens. We are keeping the old prices for the land registration process. But data is more secure, since nobody can change information that is placed on the blockchain," Papuna Ugrekhelidze, the Head of the Agency of Public Registry under the Ministry of Justice told *Investor.ge*.

The idea behind the initiative came

from Bitfury, according to the Public Registry, and Georgia will be the first country to use this technology to register property.

The new procedure is the same as before, but now the records will automatically be stored on Bitfury's blockchain.

Eprem Urumashvili, who represents Bitfury Group in Georgia, noted the agreement will reflect well on the country. "Forbes International and other leading business journals evaluate the Georgian government as the most innovative in terms of using blockchain technology. This is the best advertisement and a good opportunity to attract international investors here," pointed out Urumashvili in his interview with Businesscontract.ge.

Ugrekhelidze says it was Bitfury Group's interest to work on this project, since the Public Registry uses modern technologies and has a well-developed system. "Initially, the first pilot phase of this partnership was successful and after that we decided to develop this idea. In February we started the second phase, which means to place real contracts on the blockchain, and so far it is going well. We do not have any technical problems, and we do not see any risk that project might fail or something wrong might happen," Ugrekhelidze told *Investor.ge*.

The idea behind the initiative came from Bitfury, according to the Public Registry, and Georgia will be the first country to use this technology to register property.

WHAT IS BLOCKCHAIN TECHNOLOGY AND HOW DOES IT WORK?

A blockchain is a type of database, comprised of unchangeable, digitally recorded data in packages called "blocks." These digitally recorded "blocks" of data are stored in a linear chain. Each block references and identifies the previous block by a hashing function and forms an unbroken chain.

Basically, a blockchain is simply a way to store information and no outside actor change or destroy it. The blockchain keeps all information in the database and if you know the hash (the ▸▸

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mathematical formula of the transaction) you can find the information in the database and look at it.

The block validation system ensures that nobody can destroy, steal or change records. Old transactions are stored forever and new transactions are added to the ledger permanently. Anyone on the network can check the database and see the same transaction history as everyone else.

Blockchain technology originally was invented for Bitcoin transactions. Bitcoin is a cryptocurrency created by Satoshi Nakamoto (the name is a pseudonym) in 2007.

No one controls Bitcoins. They aren't printed, like dollars or euros – they're produced by people, and increasingly businesses, running computers all around the world, using software that solves mathematical problems.

HOW DOES BITCOIN WORK?

The Bitcoin system is designed as an alternative to the world banking system. For example, if a person in Greece wants to transfer money to Georgia using the Bitcoin system, which is cheaper and faster because there is no bank commission fee, a Bitcoin processing facility records the transaction using blockchain. With the help of special software, anyone can mine Bitcoin, but this process might become real business for mining companies who run Bitcoin processing facilities.

Mining is the process of obtaining Bitcoins: if you have a server and have a Bitcoin wallet (an account in the system), you can program your computer and it will check and confirm transactions made in Bitcoins. Every transaction generates mathematical algorithms, so-called "problems" and servers solve these problems.

A blockchain is a type of database, comprised of unchangeable, digitally recorded data in packages called "blocks." These digitally recorded "blocks" of data are stored in a linear chain.

Very strong servers can solve these problems quickly and the owner periodically gets a new Bitcoin on his/her wallet account.

Bitfury has thousands of such servers in Georgia.

Because their servers are strong, they can solve such algorithms faster than servers held by individuals.

BACKGROUND ON BITFURY

BitFury runs two such facilities in Georgia, one in Gori and another in Tbilisi. The Georgian Co-Investment Fund (GCF) issued a $10 million convertible note in 2014 to help finance the first center in Gori. The GCF was founded by former Prime Minister Bidzina Ivanishvili in 2013 soon after he resigned from office. Bitfury was able to buy a prime 18-hectare land plot in the Gldani region of Tbilisi in 2015 from the Ministry of Economy for the token price of 1 lari (now about $0.40). The market value of the land at that time was over $819,000. In October 2015, the Georgian government gave Free Industrial Zone (FIZ) status to that land, and the company quickly built a larger center.

Today, with the three facilities operating in Gori, Tbilisi and Iceland, BitFury is, by all measurements, already one of the largest Bitcoin processing companies in the world. Its daily revenue sometimes exceeds $120,000. Based on stated capacity, the FIZ operation in Tbilisi should produce about 50 percent of that daily revenue. (The Gori operation and a third Bitfury operation in Iceland should produce the other 50 percent).

The agreement between the company and Ministry of Justice marks BitFury's first project outside of the hardware and mining that have made the company's reputation since its founding in 2010.

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Heading to the EU: Georgia Looks for Ways to Boost Trade

GEORGIA HAS ENJOYED MOSTLY DUTY-FREE TRADE WITH THE EUROPEAN UNION (EU) MARKET SINCE JULY 2016, WHEN THE DEEP AND COMPREHENSIVE FREE TRADE AGREEMENT (DCFTA) WENT INTO FORCE. INVESTOR.GE LOOKS AT WHAT IS BEING DONE TO USE AND PROMOTE THE TRADE SCHEME LOCALLY.

Photo by Wines of Georgia

LIKA JORJOLIANI

Georgian companies, government agencies and international donors are investing in the future of the country's trade potential with the EU market.

From wine to textiles, there are efforts afoot to build up Georgian exports, according to economists and sectoral experts.

"As regards the likely impact of the DCFTA, there have been several model-based studies. The latest one, conducted by the European think tanks Ecorys and Case (2012), concluded that in the short term the DCFTA would increase Georgia's exports to the EU by 9%," according to *Deepening EU-Georgian Relations: What, why and how?*, a book on Georgian-EU relations edited by Michael Emerson and Tamara Kovziridze.

The result of the first year is that it has fallen short of that forecast, Emerson and Kovziridze note, in part due to on-going economic turmoil in the region. The expectation remains that Georgia's exports will increase, however.

"In addition to wine, honey and nuts, we may export blueberries to the EU market as well. Also, the export of kiwi and bay leaves is possible. There are very great prospects for the export of processed products (jam and stewed fruits)," noted Chairperson of the Association of Farmers of Georgia Nino Zambakhidze.

"We aim to develop the primary production that is now financed with the help of state subsidies. In fact, within two years, we will see results with these projects... First of all, we should satisfy the demand for the local market, and then export. The process isn't very quick, but gradually the list of export goods is being supplemented by the products for which there is demand on the EU market," she said.

ZERO TAX

Under the DCFTA, 12,000 Georgian products can enter the EU market without paying any tax, compared to the previous rates of 5-12 percent, depending on the product.

That has benefited many products, especially Georgian wine, which was previously charged an import tax plus VAT, according to Gvantsa Meladze, Chairman of the Council of Advisers of the Export Development Association.

Another sector with strong potential is the textile industry, Meladze said.

"The general problem is the absence of our own raw material. However, Georgia has great prospects in the development of textile production," she said, noting that the major precondition to qualify for the DCFTA is spending 35 percent of the cost of the of a product's production in Georgia itself (including salaries, electricity costs and others).

"The production of textiles is cheaper in our country than in Turkey. This is an advantage and due to our comparatively cheap workforce. If a minimal salary in this type of production in Georgia is 300 lari, in Turkey the salary is 700 euros. However, we should take into account productivity of the worker. If, for example, a Turkish worker annually creates products worth of $15,000, a Georgian worker will create goods worth $4,500," she said.

Meladze noted that a key to making Georgia attractive for the Turkish textile industry is "diagonal accumulation," which allows products made from Turkish material on the territory of Georgia to be considered as made in Georgia, and, accordingly, enjoy tariff-free trade.

Emerson and Kovziridze also underscored the potential impact of diagonal accumulation for Georgia's trade with the EU.

"It should be underlined that the diagonal accumulation envisaged by the DCFTA is very important for the diversification of Georgia's exports, given the economy's limited raw-material resources. Activation of diagonal accumulation with

Turkey will thus substantially increase the benefits of the DCFTA with regard to export and investment promotion," they note.

"In order to activate diagonal cumulation, Georgia has already started consultations with Turkey on the relevant amendments to the bilateral free trade agreement that has been in force since 2008."

The Georgian parliament's EU Integration Committee approved the draft of an agreement on March 13 that would enable diagonal accumulation, according to the parliament's official website.

"Diagonal accumulation will allow Georgian exporters to introduce their own production to the EU market and use the preferences envisaged under Georgia-EU Free Trade Agreement," Deputy Minister of Economy Genadi Arveladze was quoted as saying.

Another challenge is educating Georgian farmers and producers about the potential of exporting goods to the EU, Meladze said.

"We have great potential in the agricultural sector ... Today, many agricultural projects are subsidized, but [farmers] lack training. It means that, in fact, our entrepreneurs have a lack of education. We also have problems in business administration and planning," she told *Investor.ge*.

GOVERNMENT OUTREACH

The Georgian Ministry of Economy is working on getting the word out, and several EU-funded programs are helping local farmers and producers learn about EU standards and how to get the most out of the DCFTA.

"We have already visited Kakheti and Shida Kartli. We plan to visit all the regions by the end of the year and to meet with representatives of small- and medium-sized enterprises. In the scope of such meetings we talk about regulations to be implemented in the next three to four years. Our meetings are conducted as a dialogue between private and state sectors. The results of our meetings will be summarized by the end of the year," Arveladze told *Investor.ge*.

The government is also helping entrepreneurs expand production and meet EU standards through several funding programs, like access to inexpensive agro-credit and other funds.

"First of all, we need to implement EU standards for local production and then to think about the export of production to EU countries. Different instruments proposed by donor organizations are important too," Arveladze said.

DONORS HELP PRIVATE SECTOR

The EU and other donors have initiated several programs to help entrepreneurs and some sectors—especially agriculture—benefit from the DCFTA.

The EBRD and the EU joined forces with Bank of Georgia to help Georgia's private sector find new opportunities. Implemented by Bank of Georgia through credit lines, a 50-million-dollar facility aims to support SME (Small- and Medium-sized Enterprise) development in the context of the DCFTA, allowing companies to take full advantage of the opportunities offered by the trade deal.

In addition, the Georgian Chamber of Commerce and Industry (GCCI), the German International Co-operation Union (GIZ) and the Project "SMEs' Development and the DCFTA in Georgia" have a joint project supporting the establishment of five DCFTA information centers in Kutaisi, Zugdidi, Signagi, Gori and Tbilisi.

Five experts have been trained to work with SMEs in Georgia in information centers and will provide all the information regarding the free-trade regime with the EU.

"In addition to conducting consultations in the office, our specialists meet with local farmers. In Kakheti, we discuss opportunities for the export of wine, in Samegrelo – for the export of nuts. The priorities are formed proceeding from a list of our main exported products. In some regions we have our own offices, in others, the local municipality provides us with an office," noted Giorgi Vekua, the Head of the International Relations Department of the GCCI.

The project also includes television programs, advertisements and manuals on the export of eight specific products, including apples and citrus fruit, he said.

The Director of the Tbilisi Information Center on the DCFTA, Irakli Sulaberidze, noted that it is best to work with farmers individually to make sure they understand all the requirements and standards.

"The work is very hard. Take, for example, farmers who deal with the cultivation of apples. First of all, we explain to the farmers that they should know a customs code for the export of apples according to the international system ... Then we explain how to switch to the criteria of the origin of the product and why they need a certificate of origin for the commodity. We talk about the tariff policy of the EU and provide them with statistics on exports and a list of countries with their market prices of the fruit the farmers seek to export," he said.

Sulaberidze said they are working closely with another EU project, the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD), which is being implemented by the EU in cooperation with the Georgian government.

ENPARD, which started in 2013, supports the development of agriculture in the country, and especially in rural communities, thorough cooperation with the government, civil society, and farmers. The total budget for ENPARD in Georgia, covering the period of 2013-2018, is €102 million.

MARKET ACCESS FOR GOODS AT A GLANCE

With the DCFTA, Georgia and the EU now enjoy almost completely tariff-free trade for exports and imports.

The first year of the DCFTA saw only a modest growth of exports to the EU. But this compares favorably with massive declines in Georgia's trade with Russia and Ukraine, resulting in a major shift in trade structure in the direction of the EU.

The positive effects of the DCFTA are likely to grow significantly over the medium and long term, with "diagonal cumulation" of rules of origin with Turkey and progressive approximation of EU legislation on SPS measures and technical barriers to trade.

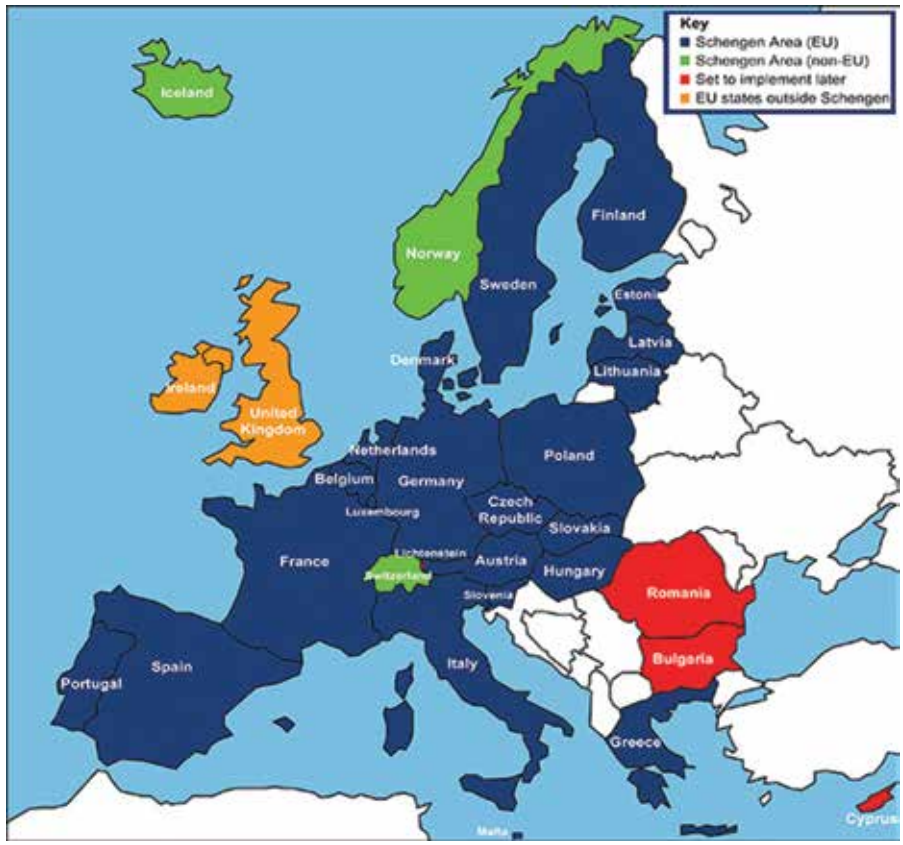
Georgia is negotiating a free trade agreement with China, and could become a location of choice for Chinese direct investment aimed at exports to the EU market.

Republished from Deepening EU-Georgian Relations: what, why and how?, a book on Georgian-EU relations edited by Michael Emerson and Tamara Kovziridze. (http://bit.ly/2blimIF)

Traveling in 2017:
Trends and Expectations

Hopes and Expectations for EU Travel

GEORGIANS ARE NOW FREE TO TRAVEL TO THE EU'S SCHENGEN AREA WITHOUT A VISA UNDER CERTAIN CONDITIONS. INVESTOR.GE SPOKE WITH LOCAL OUT-BOUND TOUR AGENCIES AND TOURISM ORGANIZATIONS ABOUT THEIR EXPECTATIONS FOR GEORGIANS' SUMMER TRAVELS THIS YEAR.



GIULIA BERNARDI

After years of negotiations, deferments and talks, the long-awaited visa-free travel regime between Georgia and the European Union has become a reality.

Starting from March 28, all Georgian citizens holding a biometric passport can travel to and throughout the Schengen area without a visa for up to 90 days in any 180-day period for business, tourist or family purposes.

Investor.ge has contacted several tourist agencies and organizations in Tbilisi and explored what their expectations are on whether and how the visa-free regime is going to impact Georgian outbound tourism toward the EU.

Travel operators envisage that the flow of Georgian tourists heading to European countries will sharply increase after the visa-waiver regime enters into force.

Currently, there is no data on how many Georgians vacation overseas, according to Giorgi Bregadze, Head of Research and Planning Department at the Georgian National Tourism Administration (GNTA).

He told *Investor.ge*, however, that Geostat is planning to conduct a survey in this area in the next two years.

VERY POSITIVE STEP

Visa liberalization is a very positive step and we have positive expectations, according to Irakli Gvenetadze from LevonTravel.

"I expect families to increase their trips to Europe," he said, noting that there are inexpensive flights to Europe from Kutaisi Airport.

"There will be an increase to those destinations that are connected with low-budget flights, WizzAir flights. You can go to Berlin and return for 100 euros. Warsaw and Berlin will be popular destinations," he said.

Ekaterine Tkeshelashvili from Georgian Voyage noted that there is already an uptick in interest for travel to Europe. "Tourists are already asking for more info about trips to Europe," she said.

Direct flight connections, low-cost plane tickets, as well as the possibility of choosing a tour instead of a self-organized trip are the factors that will affect

Georgians the most when picking a destination, according to travel agents.

"When WizzAir started to fly from Kutaisi, this created a very big opportunity for vacations, and we have already registered an increase [in trips] since such flights were introduced. Direct flights are the main reason to pick destinations," said Natalia Kvachantiradze, Chairperson of the Georgian Tourism Association.

WizzAir told *Investor.ge* that more than 630,000 passengers from Georgia have flown on their airlines to destinations in Europe. The number is increasing over time, the company noted: in 2016, 168,000 people flew from Georgia, which was 35 percent more than the previous year.

TROUBLE AT THE BORDER?

There is also a degree of apprehension, however. While traveling, Georgian tourists will still have to carry several documents confirming the purpose of their trips and be ready to show them at the request of border control bodies. Traveling without a visa could lead to both tougher border controls and an increase in rejections.

"When you already have a visa, it is easy to pass through border controls – only a few questions are asked, and that's it. Without a visa, the border control will be much tougher. Honestly, we are a little bit afraid. I think that eventually tourism will increase, but I think that for the first few months there will be some sort of adaptation period to see how this process works. We all are expecting travelers to be sent back," one travel agent, who asked not to be identified, said.

NOT FOR EVERYONE

Enthusiasm aside, tour operators believe that the visa-free regime will not be equally appealing to all strata of the Georgian population.

"Families usually go and take a break in Turkey or Egypt during the summer. We have charter flights to and from these destinations, and this makes the tours cheaper. It is easier for them to have a rest with the entire family there," the Georgian Tourism Association's Kvachantiradze said.

MORE EUROPEAN TOURISTS IN GEORGIA?

Eventually, tours operators believe that the establishment of a visa-free regime could bring some benefits to Georgia too by increasing the flow of incoming tourists.

"Georgian tourists in Europe will be like ambassadors. Through them, European people will hear about Georgia and they will feel like visiting it. This will increase the inflow of tourists," one travel agent said.

"I think that tour operators that now have charter flights to Turkey and Egypt will now make new packages with charter flights to Europe including hotels. In addition, low-cost air companies like WizzAir will open up new direct flights. This not only will facilitate Georgians on their way to Europe, but it will also bring more tourists to Georgia," said another travel agent.

However, Georgians who like to travel within their own national borders are not expected to change their habits.

"The visa-free regime will not affect domestic tourism. Georgians love their country and love to travel within it, to go hiking, to visit our mountain and sea resorts. People who are used to traveling within our national borders will not change their habits," noted Saba Suladze from 08 Travel.

Kvachantiradze agreed.

"Georgian families like to go to Georgian resorts and rest there. In the winter, they like to go to ski resorts like Gudauri and Bakuriani and in the summer to Batumi and to the Adjara region. This will not change because of visa liberalization. But let's see," concluded Kvachantiradze.

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GEORGIA'S NEXT TOURISM CHALLENGE: Attracting Big Spenders

THE COUNTRY'S TOURISM NUMBERS ARE UP, BUT VISITORS ARE LEAVING LESS MONEY IN THE LOCAL ECONOMY THAN THE INTERNATIONAL AVERAGE

SALLY WHITE

Georgia has no problems attracting visitors—2016 numbers were up 8 percent at 6.4 million year-on-year and 2017, so far, is even better.

The challenge is enticing them to spend. In TBC Capital's Hospitality & Tourism Sector Overview, published last year, the figures showed Georgia lagging well below its Eastern European peers in persuading tourists to open their wallets.

"[A]verage receipts per visitor remained relatively stable, in the range of $325-400 (vs. $750 average for Eastern Europe) over the past decade, despite a 6.5x increase in visitors," TBC commented.

Most of those 6.4 million were in transit, said the Head of the Georgian Na- ▸▸

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tional Tourism Administration (GNTA), Giorgi Chogovadze. The number of those spending over 24 hours in the country was 2.7 million, up 19 per cent in 2015. Plus, many of the 2.7 million were not tourists, but diaspora, visiting family (over 50 percent of the total). While that may not change Georgia's ranking, it does improve the real per-capita spending.

Armed with the knowledge that most local visitors, with the exception of Russians, are not high spenders, the GNTA is addressing the problem in its National Tourism Development Strategy 2015-25. Advised by the World Bank and U.S. consulting company Solimar International, the GNTA is tasked with changing Georgia's tourist mix—as well as trying to raise the number of visitors to 11 million.

Currently, Georgia sources mainly from markets that are local and familiar, within easy transport reach and enticed by Georgian marketing campaigns and, as Tbilisi's Georgica Travel says, "good connections with Georgian travel agents." So far this year, out of a total of 755,000 visitors, Azerbaijan, Armenia, Turkey and Russia headed the list, with 222,000, 158,000, 151,000 and 119,000 visitors, respectively. Next come Ukraine, Iran and India with 20,000, 15,000 and 5,000 visitors, respectively. The higher-spending countries of the U.S., Israel and Germany each sent just 3,000 visitors.

While the top four, with 83.6 percent of last year's total, performed robustly (with the exception of Turkey) the secondary markets are growing strongly, too. Iran's rose almost 5.9 times last year, while Israel's is up 1.6 times.

In 2017, the GNTA aims to increase visitor numbers from Europe, Asia and the U.S. "The country will aim to increase the share of visitors from higher-spending source markets from the current 10-12 percent to almost 30 percent. With this, the international receipts from tourism will more than triple, average spending per visitor will increase to almost twice the current amount, and the length of stay per visit will grow," is the latest comment from the Ministry of Economy.

"GOOD QUALITY" ACCOMMODATIONS

However, there are obstacles. One, for EU, UK and U.S. tourist operators whose clients fall into the "high-spending" categories, has been finding the right accommodations. There is a "lack of good-quality, middle-market, 4-star accommodations," says Jonny Bealby, founder of international travel agency

Wild Frontiers, which has offered holidays in the region for around 15 years.

"And by 'good quality,' I mean with good services—it is not a question of price. If anyone wonders why there are so few middle-class Europeans and Americans going to Georgia, that is the reason."

"There are plenty of luxury accommodations, though in Tbilisi and Batumi, and it's okay if you are a student or backpacker or want an adventure holiday. But there is not a lot in the middle range across most of the country," he added.

For him the ideal would be more hotels built and run on the Rooms Hotel model.

"Lack of direct flights has been another factor," he says, consulting his list. On this front, things are happening. The first steps to more non-cut-price direct flights have been taken. Georgian Airways is adding London's Gatwick Airport and Prague to its EU destinations of Amsterdam and Vienna, which also will ease the journey from the U.S., and European cut-price group Rynair is promising routes.

TARGETED MARKETING

Another obstacle, says Cox & Kings, which offers luxury holidays to middle-aged, middle-class travelers from Europe and the U.S, is a "lack of marketing campaigns. With the whole world offering itself to our clients, no one is telling them about Georgia. There are so many ways to market—in newspapers, magazines, and so on. Nor has anyone from Georgia come to ask us to work with them on marketing Georgian products," it explains.

So, while blogs and social media and occasional newspaper articles may be euphoric about Georgian food, wine and nature, this information is not getting to Cox & Kings' clients. Growing emerging market competition has left Cox & Kings offering only one product for Georgia—an arts tour packaging Georgia with Armenia.

THE PROBLEM OF SOUVENIRS

Lack of good shopping, the world's favorite leisure pastime, is also an important gap when it comes to raising tourist revenues. So says a Georgian hotelier, Dito Shvelidze of Tbilisi's Riverside Hotel. "I listen to guests saying that they would buy and spend more in Georgia if there was the opportunity, especially those who travel to the regions. I would think more modern-type shops, including local producers of different products and services, should be available to the guests."

AMBITIOUS GOVERNMENT PROGRAM

Some of these gaps are already being addressed by the GNTA's ambitious program for 2017 and beyond. Others have been spotted as investment opportunities by entrepreneurs.

Georgia's future marketing and press campaigns, according to Chogovadze, encompass the existing neighboring markets and Middle East, but also parts of Western Europe, including Germany, Italy and the Baltic countries. The GNTA is also encouraging the development of more hotels and a wider range of tourism—conference business, spas, medical tourism, more ski resorts, culinary and wine attractions and nature reserve stays.

The drivers from the central government are the open-visa regime, the establishment of new transport and resort infrastructure (while respecting the countryside and cultural heritage), and the offering of financial incentives and service and IT training.

Those incentives, and high occupancy numbers, are putting middle-range hotels into the pipeline. Leah Rusia Beselidze, head of Cushman & Wakefield's consultancy, states she can see the prospective supply of hotels "becoming more balanced," with more 3- and 4-star hotels.

Galt & Taggart's Tourism Market Watch February edition list includes planned 4-star developments from Alliance Group in Goderdzi and Tulip hotels in Tskaltubo and Borjomi. Rooms Hotels is planning more outlets, and Schuchmann has set up a boutique hotel franchise operation.

Boding well for this year's tourism revenues is that the number of the "right" kind of tourists seems to be growing, although from a low base.

The highest spenders, says the Ministry of Internal Affairs, are Russians, Europeans, Israelis and Americans. Israeli visitor numbers were up almost 65 percent in January and February and the number of those visitors from the EU rose 22 percent. And numbers of those just passing through fell!

Georgia's Innovative Push to Develop its Air Services

Photo by George Surguladze

MORE FLIGHTS, EXPANDED FACILITIES AND BETTER PUBLIC TRANSPORTATION ARE JUST A FEW OF THE PLANS TO IMPROVE GEORGIA'S AIR SECTOR.

INGE SNIP

When you travel as much as travel blogger Daria Kholodilina does, a country has to do a lot to make an impression from the moment of arrival. Kholodilina, who came to Georgia for the first time in 2012 from Ukraine, says she knew she liked Georgia immediately.

"It was a rather an emotional thing," Kholodilina told *Investor.ge*. "In the airport I was impressed by 'TBILISI LOVES YOU' on the doors leading to the arrivals," which, she said, really added to her experience.

WAVE OF INNOVATION

Over the last several years, Georgia has worked hard to improve air services to accommodate the growing number of visitors and tourists arriving every year.

One change is Tbilisi airport's new solar panels, located directly outside the airport in the parking lot. The panels, which were partly funded by the government of Japan, can generate up to 337,000 kWh electricity a year, which covers 40 percent of the airport's total consumption.

The solar panels started to operate in July 2016, and are part of a wider push by Georgia to innovate and upgrade its air services to attract more international visitors to the country.

"I am sure that all these efforts and developments will make Georgia's aviation sector even more competitive, attractive, safe and flexible in the region and globally as well," noted Igor Aptsiauri, ▸▸

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HILTON HHONORS

Photo by George Surguladze

First Deputy Director at the Georgian Civil Aviation Agency.

Renewable energy sources aren't the only improvements at Shota Rustaveli Airport, Georgia's main airport in Tbilisi. Last summer, TAV Georgia, a Turkish airport company leasing the airport from United Airports Georgia, opened a new runway, upgrading it from CAT I to CAT II to cater for growing air traffic and larger planes.

Currently, TAV Georgia is working on a new arrival terminal with a capacity to receive 3.25 million passengers per year. The new terminal is expected to open in September 2017.

"The airlines will have the possibility to increase the frequency of their flights to Tbilisi, as the potential of the airport will be further developed significantly," Aptsiauri explained to *Investor.ge* about the significance of these changes.

For example, Georgia Airways is scheduled to start direct flights to London Gatwick Airport in March and to Prague in May, according to Givi Davitashvili, General Director of Georgian Airways, Georgia Today reported.

And with more visitors travelling to Georgia—there was an increase of 7.6 percent from 2015 to 2016 according to the Georgian National Tourism Agency (GNTA)—the new terminal is a welcome move to accommodate these travelers, Aptsiauri told *Investor.ge*.

In lieu of the increase in travelers, more transportation options to travel from the airport into the city are also now available. Starting in January, Tbilisi's transportation department decided to run the bus on the airport route during the night as well, when most flights arrive and depart, with a bus going every 40 minutes.

However, not everyone is enthusiastic about the new bus schedule. Gocha Botkoveli, a 52-year-old bus driver on the airport route, grouchily explains no one is using the bus at night…"Except several 'bomzhi' every night," he says ,describing homeless people taking advantage of a cheap, warm, and dry place for the night.

LEARNING FROM KUTAISI

Brazilian born, London-based travel blogger Pedro Richardson thinks Tbilisi can learn from the experience in Kutaisi. "It is interesting to see that in Kutaisi they found a transport solution that is both cost-effective and convenient—I'm referring to the 'Georgian Bus' where they use a smart and comfortable van for six passengers, with enough room for luggage, and drop them at their destination at a very low cost," Richardson explained to *Investor.ge*.

But transportation is not the only way Kutaisi Airport is stepping up its game to accommodate the increasing number of tourists each year.

United Airports Georgia operates Kutaisi airport and has increased the number of flights, with a 121% increase in January 2017, compared to the previous year.

"There is good news regarding Kutaisi International Airport as well. The new expansion plan is already being implemented to further increase the number of aircraft parking spaces.

The aim of the expansion is to satisfy existing demand and also to accommodate the expected increase in travelers that we have forecasted due to the EU visa-waiver program that was recently granted to us," Aptsiauri said.

One of the new flights UAG is introducing this year is a direct flight to the UK offered by WizzAir, the airline most servicing Kutaisi, and which is starting a base operating from Kutaisi.

There are also reports that Irish low-cost airlines Ryanair will also start flying to Kutaisi.

Increasing cheap connections to Europe are a major opportunity for Georgians wishing to travel to Europe.

"My son lives in Germany," Nodar Razmadze, a 45-year-old merchant at the local Eliava market tells *Investor.ge*. "I can't visit him unless he pays for everything. This might give me the opportunity to see my grandson for the first time," Razmadze noted with a smile.

U.S. Preclearance: Gateway to Streamlined flights?

United States Customs and Border Protection (CBP) is stationed in six countries and 15 airports abroad, allowing passengers to go through U.S. immigration, customs and agriculture inspections prior to their arrival in the United States.

The program precleared 18 million travelers—over 15 percent of all commercial air travelers—arriving in the U.S. in 2016.

CBP is currently located in Dublin and Shannon in Ireland; Aruba; Freeport and Nassau in The Bahamas; Bermuda; Abu Dhabi in the United Arab Emirates; and Calgary, Toronto, Edmonton, Halifax, Montreal, Ottawa, Vancouver, and Winnipeg in Canada.

The first preclearance service was started in Ireland in 2009; in 2016, more than a million people used the facilities at the Dublin airport last year, and 200,000 at the Shannon airport, The Irish Times reported.

Georgia is not currently considering a similar program, according to officials.

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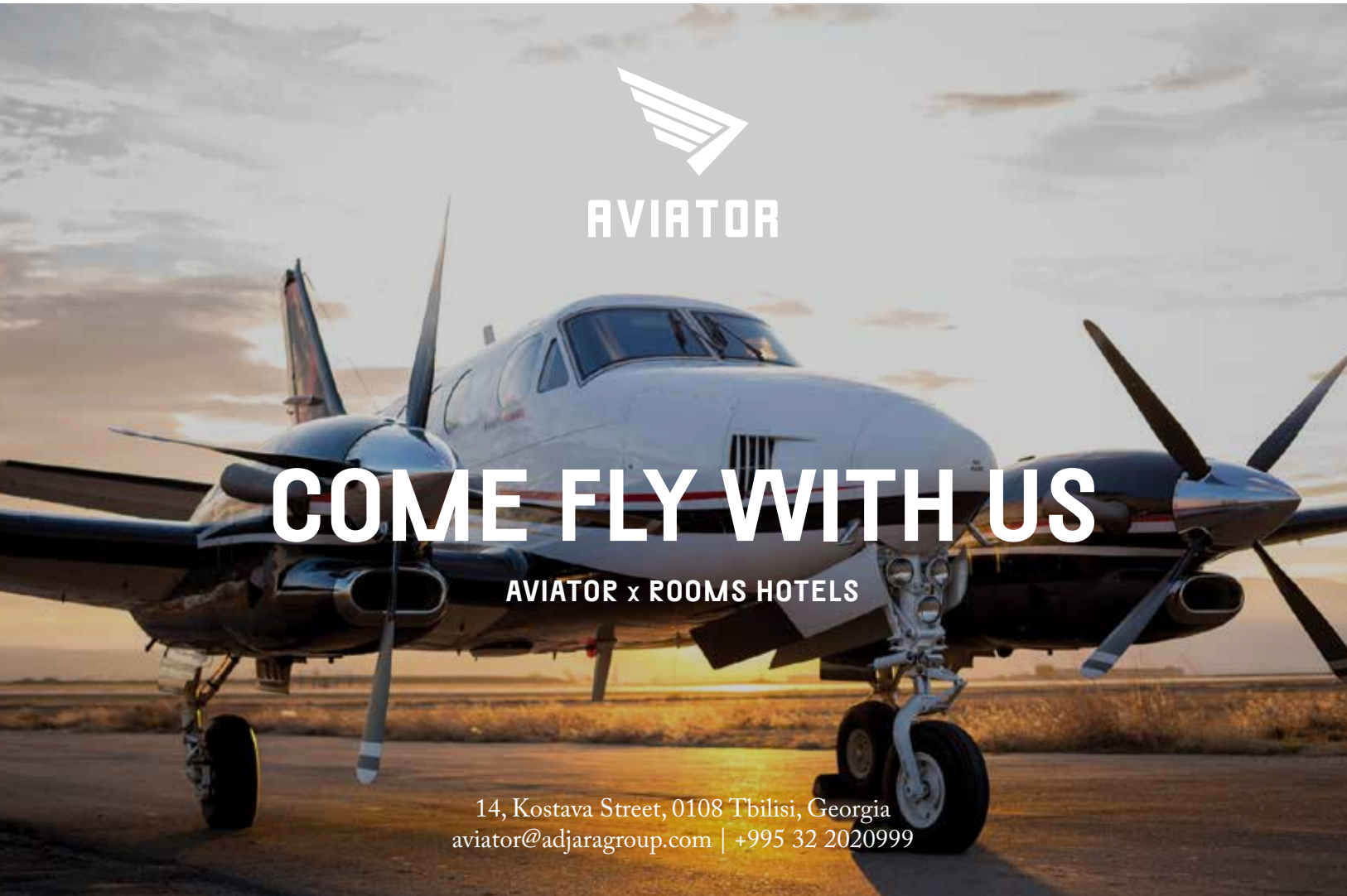
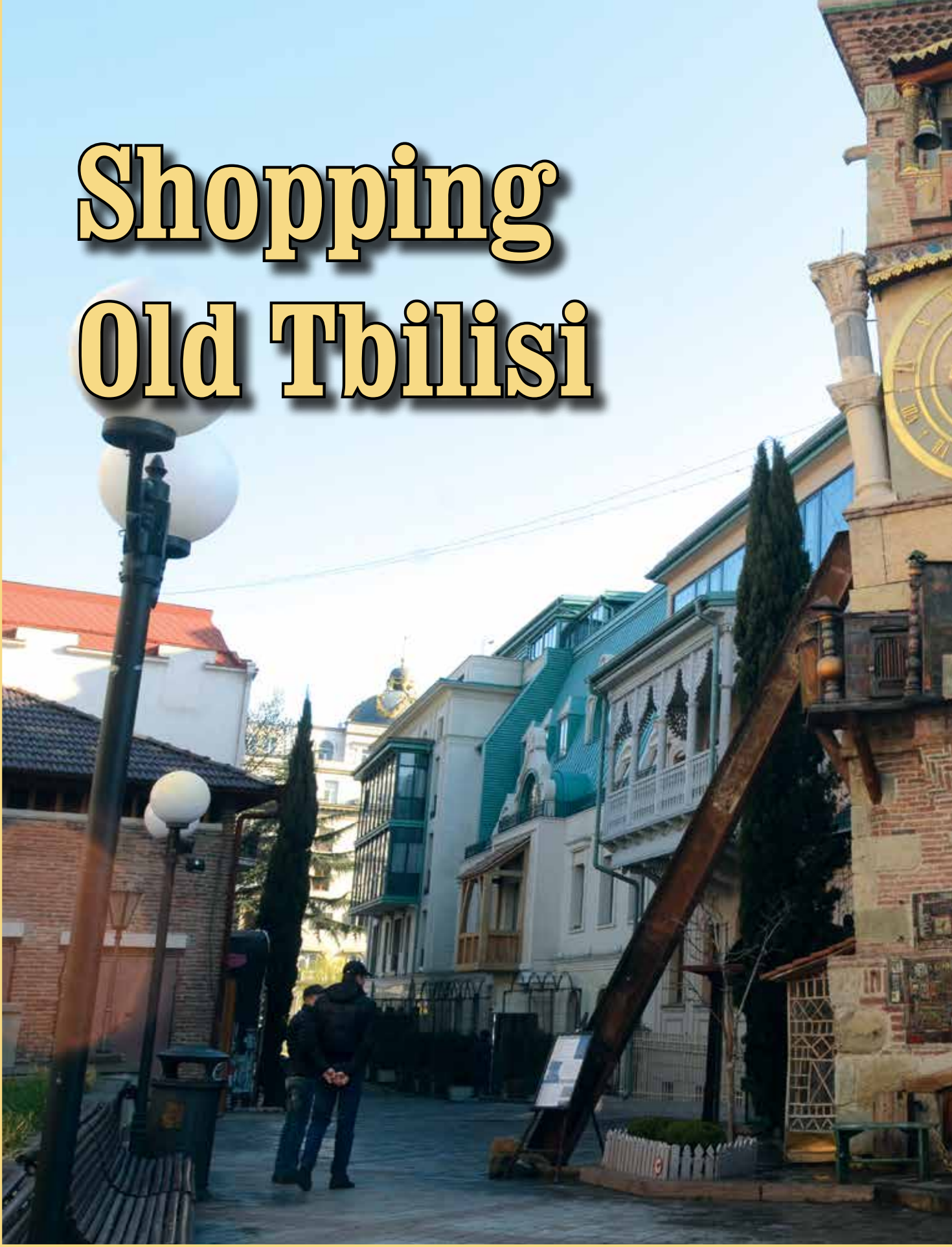
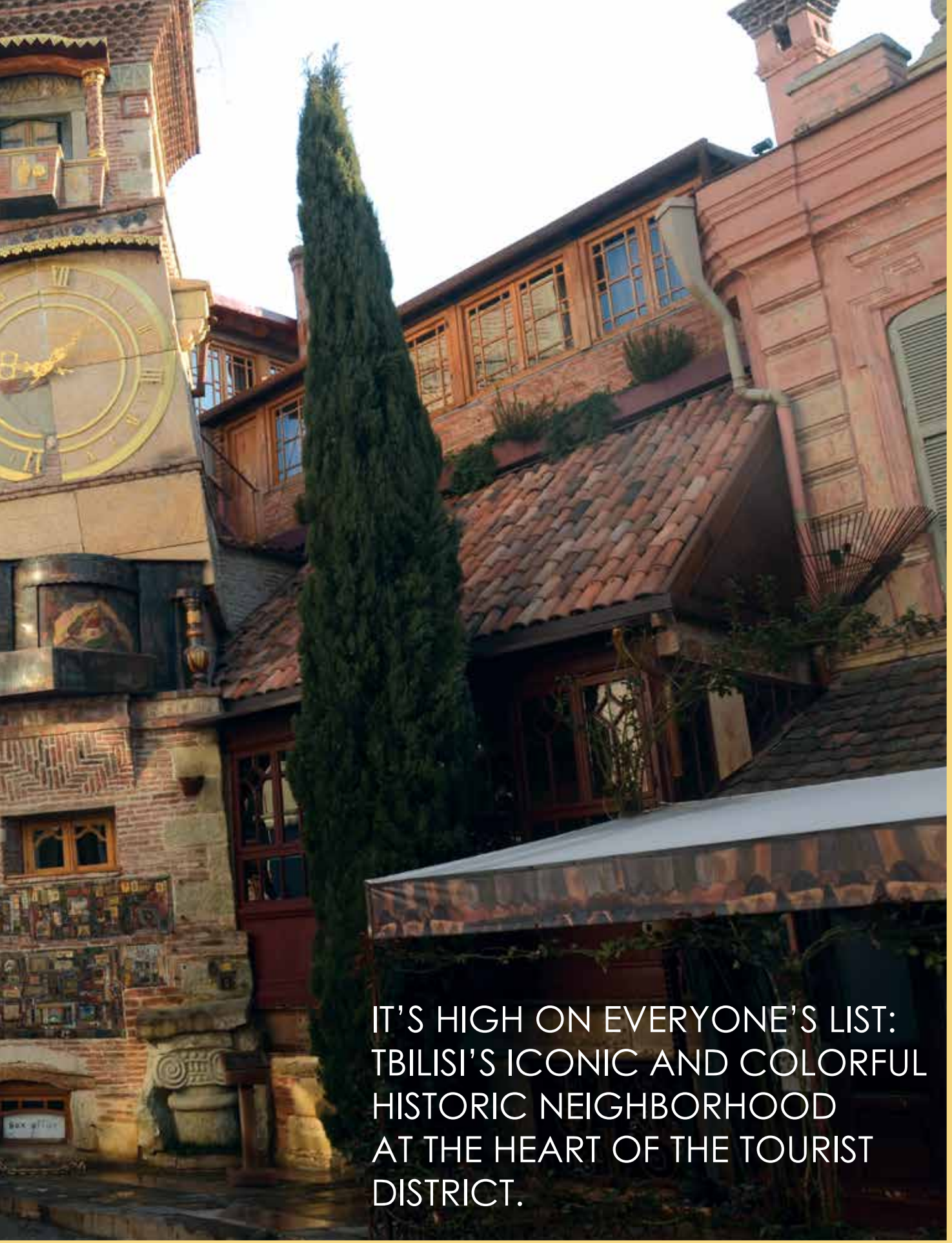


Shopping Old Tbilisi





IT'S HIGH ON EVERYONE'S LIST: TBILISI'S ICONIC AND COLORFUL HISTORIC NEIGHBORHOOD AT THE HEART OF THE TOURIST DISTRICT.

We know you have been to the Peace Bridge, Meidani and up and down Kote Apkhazi (Leselidze to the old timers) more times than you care to remember.

There are all the obvious charms: plenty of souvenirs for quick shopping, a ton of cafes and even fresh-squeezed fruit juice—a new and brilliant import from some of our neighboring countries.

But are you sure you have experienced all there is to offer? We have several reasons why it is well worth your time to fight the traffic and the tourists to go back for yet another stroll.

FRESH-SQUEEZED FRUIT JUICE

Yes, it was mentioned two paragraphs ago. But it is worth mentioning again. You can buy fresh squeeze fruit juice in many Tbilisi cafes—for a price. In Old Tbilisi, it comes cheap and fresh (cut, squeezed and poured before your eyes). Pomegranate, orange and grapefruit juices are on offer at most venders. One sip and you will be reliving your last trip to Istanbul—and feeling virtuous for all that great vitamin C.

ICE CREAM

You scream, I scream, we all scream for ice cream.

Now you can scream for it all throughout the year, largely due to the wonderful Luca Polare ice cream chain. A local favorite, there is one branch at 34 Kote Apkhazi (Leselidze).

There is also a branch of another beloved local cafe with ice cream, Entree, at 47 Kote Apkhazi.

EATING

We have not counted the steps, but the ruling theory is you can find a different place to eat at every two paces along Kote Apkhazi (Leselidze) and the major side streets. There are lots of gems, especially if you climb above Meidani, into the renovated houses and side streets overlooking the square.

A new kid on the block, Rosemary (41 Vertskhli Street) is getting rave reviews, and Culinary Backstreets (http://bit.ly/2nmnemS) recently posted a glowing review of an old favorite, Sans Sousci —otherwise known as Ar Dairdardo —owned by the Georgian director Rezo Gabriadze, of Gabriadze theater fame (13 Shavteli Street).

If you are looking for something, well, not Georgian, there are also loads of options, including Persian and Indian. You can find plenty of Halal options throughout the district, and even a kosher restaurant (Jerusalem Restaurant, 2 Jerusalem Street) near the synagogue.

There are even some places you can eat breakfast (before 10 a.m., a minor miracle in Tbilisi), including the previously mentioned Luca Polare and Entree and Mado (5-7 Pushkin Street, right off Freedom Square).

SOUVENIRS

In a word: Everywhere. In a town, nay — in a country —where the souvenir market is still a bit flat, Old Tbilisi is a smorgasbord of options. There are scores of little shops up and down Kote Apkhazi (Leselidze), as well as a ton of options along the parallel streets—especially Bambis Rigi and Rkinis Rigi.

If you are in the market for more than a t-shirt or a drinking horn, there are also several shops from Georgia's growing field of top notch designers, including Dots (22 Kote Apkhazi), a boutique featured in Vogue, and Mortuloba Design Shop (42 Kote Apkhazi), full of lovely hats and other treasures.

There is also Georgia Kalata (33 Kote Apkhazi), where you can find Georgian tea, cheese, spices and much more in cute, giftable packaging.

SITES

There are several places well worth seeing, in addition to the usual fare of sulfur baths and cable cars.

Leghvtakhevi (Fig Gorge) is near the sulfur baths, and a dreamy walk, especially on hot summer days. Follow the brick walkway past the baths in Abanotubani and enter a tiny oasis in the heart of the city.

Shavteli Street is a lovely street, a tiny thoroughfare you can take to traverse the old district from Baratashvili Bridge to the Peace Bridge and on to Erekli II Street.

It is a narrow walkway for most of the distance, and takes you past the lovely Anchiskhati Basilica of St. Mary, said to

be the oldest surviving church in Tbilisi, and behind the Patriarchy, the headquarters of the Georgian Orthodox Church.

On Saturdays at noon, join the tourists and families in front of Gabriadze Theater on Shavteli Street to see the clock toll. It is well worth a trip. Tbilisi History Museum (Karvasla) near Sioni Cathedral on 8 Sioni Street is a great way to learn more about the city and its fascinating past. The Museum of Minerals at 27/1 Kote Apkhazi (Leselidze) is a no-frills exhibition of more than 500 different rocks, minerals and paleontological artifacts. It is not fancy, but it is free, and if you have got a science-loving kid, check it out. The Catholic Church of the Ascension of the Virgin Mary is a quiet, peaceful spot on Gia Abesadze Street that dates back to the 13th century. It was renovated in 1998-1999.

You say Apkhazi, I say Leselidze

While it is possible that no wise man ever said "The only certain thing in life is a Tbilisi street changing names," there is plenty of evidence to support the sentiment.

A case in point: Leselidze, the former moniker for the eclectic thoroughfare that connects Meidani to Freedom Square.

In the Middle Ages the street was called Shuabazari (Middle Bazaar), reportedly because it divided the city into upper and lower blocks. The name changed in the 19th century, when it became the Armenian Bazaar.

After World War II, it was named Leselidze in honor of Soviet hero General Konstantine Leselidze.

Leselidze fought in the Battle of Moscow, the Battle of the Caucasus and the liberation of Ukraine during the war, according to Wikipedia.

It was renamed after one of the leaders of Georgia's 1921-1923 liberation movement, General Konstantine (Kote) Apkhazi (also spelled Abkhazi), in 2007. Abkhazi was a general-major in the Georgian military during the country's brief independence and was one of the founders of Tbilisi State University (1918) and chairman of the Georgian National-Democratic Party (1921-1923).

He was executed by the Soviet Cheka in 1923.

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AMCHAM MEMBERS' LUNCHEON WITH GEORGIAN PRESIDENT GIORGI MARGVELASHVILI

On February 8, AmCham Georgia hosted a Members-only luncheon with President Giorgi Margvelashvili. The guests were welcomed by AmCham President Michael Cowgill, who introduced the speaker.

President Margvelashvili presented on recent political-economic developments in Georgia and the country's foreign policy. The speech was followed by a lively Q&A session between members and the president.

AMCHAM LUNCHEON MEETING WITH THE THIRD VICE-PRIME MINISTER AND MINISTER OF EDUCATION AND SCIENCE OF GEORGIA, ALEKSANDRE JEJELAVA

AmCham Georgia hosted a Members-only luncheon with Aleksandre Jejelava, the Third Vice-Prime Minister and Minister of Education and Science of Georgia, on March 7, at the Holiday Inn. The Jejelava spoke about education and the job market in Georgia and the importance of public-private dialogue in the educational sector. He also highlighted the importance of vocational education in Georgia. The presentation was followed by a lively Q&A session between members and Jejelava.

TWO FIRST-PLACE WINS FOR AMCHAM AT SKI COMPETITION

AMCHAM DIRECTOR KETTI KVARTSKHAVA WON FIRST PLACE AT THE SKI COMPETITION ORGANIZED BY THE FRENCH CHAMBER OF COMMERCE (CCIFG) ON FEBRUARY 19. THE SON OF AMCHAM DIRECTOR ESBEN EMBORG, SEBASTIAN, WON FIRST PLACE IN THE JUNIOR CATEGORY.

AMCHAM MEMBERS MEET U.S. AMBASSADOR KELLY

U.S. Ambassador Ian C. Kelly presented his political and economic update to AmCham member-company representatives at the monthly roundtable meeting at the Tbilisi Marriott Hotel on March 15. The presentation was followed by a dynamic Q&A session between AmCham members and the Ambassador. AmCham thanks Ambassador Kelly for his time.

TOURISM COMMITTEE MULLS INDUSTRY PRIORITIES

The Tourism Committee discussed priority issues for companies operating in the tourism industry at the March 16 meeting. The top issues included law amendments concerning pricing tours and advertisements in Georgian lari starting from July of this year. Committee members also discussed the necessity of vocational education and promoting hospitality recruitment, as well as a common strategy for improving tourism within the country.

TRADE AND TRANSPORTATION COMMITTEE DEBATES PRICING SYSTEM

The Trade and Transportation Committee discussed issues facing member companies within the same industries on March 14. The points discussed by the Committee included the new amendments to the law on the National Bank of Georgia and the effect of the new pricing system in Georgian lari. The Committee also discussed the Anaklia port project and the developments concerning the Silk Road as well as the potential outcomes that the two projects may bring to various businesses.

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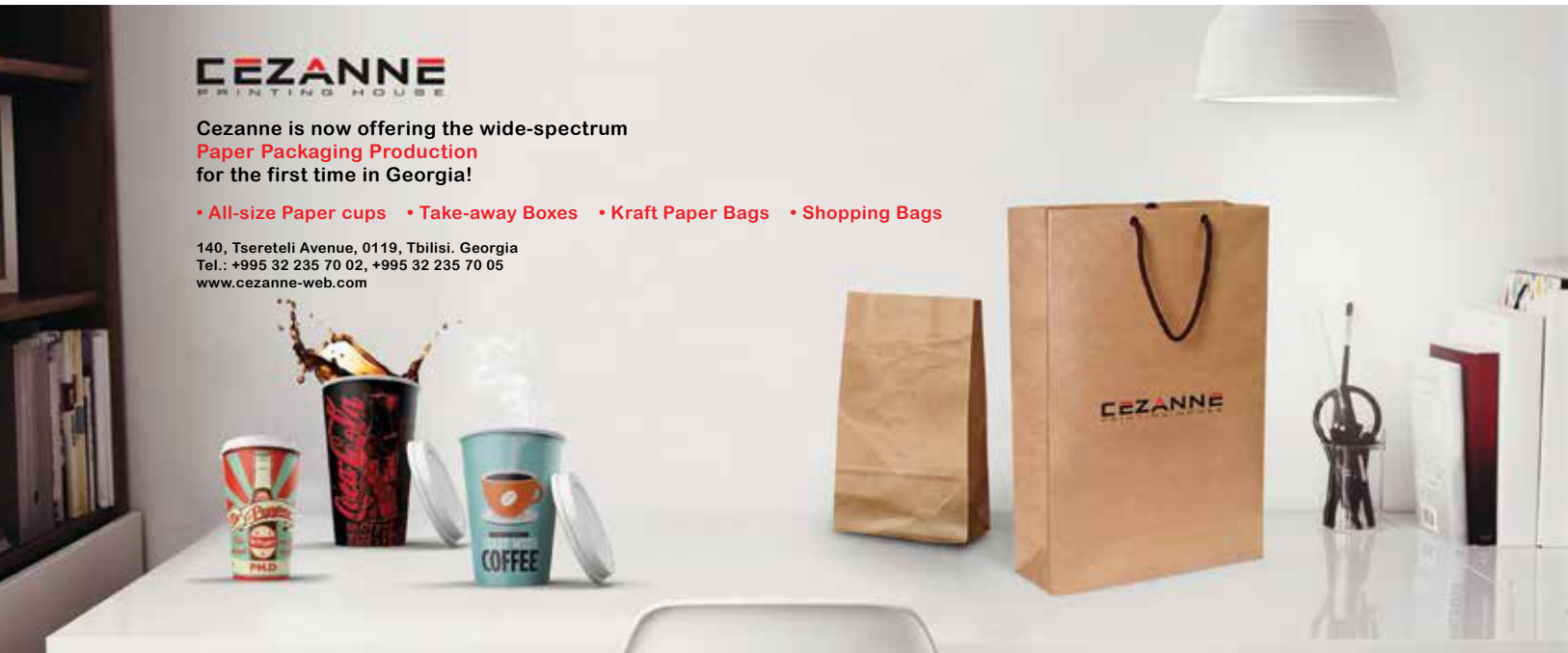

NEW MEMBERS

Risk Management and Insurance Company
Corp A

Risk Management and Insurance Company Global Benefits Georgia is an innovative player on Georgian insurance market. This is the regional branch and an effective franchisee of an US based international insurance provider Global Benefits Group (GBG), which is listed on London stock exchange and currently operates in 120 countries worldwide. Benefits Georgia develops and implements benefit programs that encompass all areas of the insurance fields, from medical, life, travel, property, motor and management responsibility insurance. The main target audiences of the company are corporate sector and the representatives of diplomatic missions. Risk Management and Insurance Company is not a traditional insurer, but targets specific insurance needs in which the company develops expertise and focuses on areas other insurers find too complex to insure. A strong professional team of experienced underwriters, risk managers and sector experts are the backbone of the company and prerequisite to the success of the customers.

benefits.ge

Enviroserve Caucasus
Corp B

Environmental services: collecting and recycling of electrical and electronic equipment.

enviroserve.com

ExpoGeorgia JSC
Corp B

Expo Georgia is the only convention center in Georgia and the leading one in the Caucasus region. The company organizes trade fairs and various types of conferences, congresses and events. History of the Convention Center starts in 1958. Expo Georgia has been assigned a very important role – guiding foreign capital inflow in Georgia and opening international markets for new Georgian businesses.

Over the years, events hosted by Expo Georgia have become an excellent forum for decision makers to evaluate new products, make new contacts, enhance supplier relationships and conduct purchasing activities. Many local and international companies view Expo Georgia as a reliable partner and key liaison for the establishment and development of business relations.

expogeorgia.ge

GTR Ltd.
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The Pearl of Capital, Brand new Ambassadori Tbilisi hotel is located in the historic, cultural and night life center of Tbilisi, with an elegant Italian interior, marble bathrooms, fancy Indoor swimming Pool & Spa, variety of dining outlets, beautiful terraces, magnificent views and exclusive, personalized service. Ambassadori Hotel & Golf Resort spread on 70 acres in the village Kachreti, Kakheti region, just an hour drive from the capital. 76 rooms and Villa complex includes 9 holes professional & 18 holes mini golf courses, 5 modern ultra-flexible conference rooms with daylight, 1300 sqm ballroom, various dining areas, lounges, terraces, vine cellar, indoor & outdoor pools, spa & fitness facilities, tennis courts and stadiums, hippodrome & shooting range.

ambassadori.com

LCC International University / LCC Georgia
Non-profit

LCC International University is a nationally and internationally recognized liberal arts university. Being a North American style university LCC International University is fully accredited in Lithuania and the European Union and runs completely in English language. Approximately two-thirds of professors come from North America with about one-third coming from Western Europe or Lithuania. Student enrollment is around 550 with 40% coming from Lithuania and 60% coming from 30 countries in the region and the world.

Since 2012 LCC has been actively working in Georgia promoting English language learning and opening possibilities for students to gain affordable American education without travelling too far from home.

lcc.lt

Georgian Red Cross Society
Non-Profit

The Red Cross Society is an impartial, neutral and independent organization whose exclusively humanitarian mission is to protect the lives and dignity of victims of armed conflict and other situations of violence and to provide them with assistance. The Red Cross Society also endeavors to prevent suffering by promoting and strengthening humanitarian law and universal humanitarian principles.

redcross.ge

AVIATOR:
Adjara Group Hospitality's latest innovation

INVESTOR.GE SPOKE WITH LEVAN BERULAVA, DIRECTOR OF AVIATOR, ABOUT THE NEW SERVICE: CHARTER DOMESTIC AND INTERNATIONAL FLIGHTS AROUND GEORGIA AND THE CAUCASUS.

Adjara Group Hospitality started Aviator, its charter flight service, in December 2016 after realizing there was a gap in services provided to tourists and business travelers as well.

"Aviator was granted with Aircraft International Operator Certificate by the Civil Aviation Authority in December 2016. As the biggest and fastest growing hotel owner and operator company, hosting more than 1000 guests every day at our hotels, we see a big potential in Georgian tourism development, specifically within the target segments we work on. Based on the research we conduct, our team saw a lack of Air Taxi service within Georgia and we decided to fill this gap and founded the first Georgian Air company by Adjara Group Hospitality, offering on-demand air taxi service from Tbilisi International Airport with a range of up to 2,000 km," Levan Berulava, Director of Aviator told Investor.ge in an email interview.

Aviator uses a Beechcraft King Air C90GTx, and flies domestically – to every existing airport in Georgia, including the newly opened Ambrolauri Airport – and to international destinations in the wider region. "Local and international travelers use the company's service. Currently, locals mostly use it for business purposes, to quickly travel to Batumi for instance. In terms of international destinations, Yerevan and Istanbul are in high demand," Berulava told Investor.ge

"International travelers love to experience Georgia from a different angle, as now they can travel all the way from Telavi to Mestia, in just 1 hour! Some of our guests even enjoyed a day trip to Mestia, to ski on beautiful new ski tracks, have lunch at the amazing Zuruldi restaurant and return to Tbilisi in the evening. Also, we already have corporate/business clients that regularly use our service both, locally and internationally."

Passengers can also take advantage of Primeclass CIP Service at airports, a shuttle service and hotel bookings at specific destinations. The Aviator team is currently developing an app so tourists and other passengers can plan flights from their smartphones.

The new service enables "tourists to fully experience Georgia in a short time period by making several quick trips to important locations along the Black Sea as well as the mountainous regions, winemaking spots, and other places of cultural or historical significance," Berulava said.

BOOST FOR TOURISM

Berulava sees the Aviator service as part of a wider effort to develop Georgia's tourism industry.

"Flights operated by Aviator Air Taxi will also positively affect companies within the industry. Moreover, such an undertaking will positively reinforce other businesses related to railway, bus and car services," Berulava said.

"Despite the fact that tourism has become #1 priority for the Government of Georgia in the recent years, there are many things we need to develop locally to attract more and more sophisticated travelers;

This firstly means general infrastructure and more sophisticated road links that will create faster travel to regions of Georgia. Besides the local infrastructure, it is highly important to attract even more international budget airlines to the country, especially from European countries as well as increase Georgia's MICE tourism capacity. In addition, the Government of Georgia is already working on the legislation that will free the aviation industry from VAT charges on flights between the local cities, which is an extremely important step in the right direction!"

ENVIROSERVE: E-WASTE RECYCLING PROGRAM IN GEORGIA

The UAE based company, Enviroserve, launched its activities in Georgia for collecting and recycling electronic waste ("e-waste") on 27th January 2017 at Betsy's hotel together with Ekaterine Grigalava, Deputy Minister of Environment and Natural Resources Protection of Georgia.

The company's Head Office is located in Dubai. Enviroserve are pioneers in the region, and have been working successfully in the field of recycling e-waste since 2005. Enviroserve operates throughout the Middle East, Africa and Caucasus (MEAC) through wholly owned offices and numerous subsidiaries, collecting e-waste in hubs throughout the region. Enviroserve has processed over 300,000 tons of e-waste in its history.

Enviroserve is establishing its Georgia HQ in Tbilisi and will support the local economy with additional employment opportunities. It will help Georgia in raising environmental awareness, and will provide information campaigns on the need for responsible recycling, and the specific environmental danger of e-waste. Enviroserve is also planning to distribute e-waste collection boxes across the country. The company takes responsibility for managing the operation and teaching staff how to accept e-waste. The company will collect and empty the boxes, prior to containerizing the scrap and shipping to Dubai for recycling. The important, final step in the process is for a "Green Certificate", detailing and confirming the completed destruction of the e-waste, to be generated for clients requiring evidence of destruction for audit and security purposes.

For additional information please contact: Olga Parsons, COO Enviroserve Georgia, Olga@enviroserve.ae

SOCIAL: COCKTAIL RECEPTION & RIVERSIDE HOTEL'S ROOFTOP PRE-OPENING

AMCHAM MEMBERS CELEBRATED THE PRE-OPENING OF TIFFANY TERRANCE AND RIVERSIDE HOTEL'S ROOFTOP AT THE FEBRUARY 24 AMCHAM GEORGIA MEMBERS' APPRECIATION COCKTAIL RECEPTION. AMCHAM PRESIDENT MICHAEL COWGILL GREETED THE GUESTS AND THANKED THE RIVERSIDE FOR HOSTING THE RECEPTION.

TERRACE
TERRACE
TIFFANY

AMCHAM & SDSU COCKTAIL RECEPTION AT SDSU CHEMISTRY LAB

ON MARCH 24TH AMCHAM GEORGIA AND SDSU GEORGIA HOSTED A COCKTAIL RECEPTION FOR AMCHAM MEMBERS AT SAN DIEGO STATE UNIVERSITY CHEMISTRY LAB. AMCHAM GEORGIA PRESIDENT MICHAEL COWGILL AND DEAN OF SDSU GEORGIA KEN WALSH GREETED THE GUESTS AND GAVE THE ATTENDEES A SHORT OVERVIEW OF SDSU'S PROGRAMS IN GEORGIA. SDSU IS THE US BIGGEST INVESTMENT IN GEORGIA'S EDUCATIONAL SPHERE.

MEMBERS ENJOYED THEMATIC COCKTAILS AND USED THE OPPORTUNITY TO RECONNECT WITH FRIENDS, COLLEAGUES AND FELLOW REPRESENTATIVES OF MEMBER COMPANIES.

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AmCham Georgia:
36a Lado Asatiani Street, 3rd floor. Tel: 2 22-69-07

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AMENDMENTS TO SKYPE NOTARIZATION RULES: FLEXIBILITY VS SECURITY

The legislator decided to somewhat restrict the innovative and flexible notarization procedure whereby the Georgian notaries were able to certify signatures on certain documents on distance via Skype calls with the relevant signatories. Effective from 17 March 2017, notaries are required to verify the identity of the signatory-on-distance in the electronic system of the Public Service Development Agency, whereby, previously, this could have been done simply by providing a passport copy of the foreigner known to the respective notary in person. As only those holding Georgian passport or Georgian residence cards are reflected in the database, effectively, Skype notarization is no longer available for the foreigners with no local residency.

NBG ISSUES NEW REGULATIONS FOR THE PAYMENT SERVICE PROVIDERS

Order of the National Bank of Georgia adopted on 28 February 2017 established new rules for registration of the Payment Service Providers. Important novelty provided by the Order is that the Payment Service Providers are required to establish an office in Georgia where the principal management of the company will be located. Further, at least one director of the Provider must be present on the territory of Georgia at least 14 days in a month. The latter implies that he/she will need to have Georgian residency. Providers are also required to keep all data on performed payment operations in the system kept at the head office and provide access to such data to the National Bank of Georgia.

For more information and advise please contact us:

129a David Aghmashenebeli Ave, Tbilisi, 0102, Georgia
Tel.: +995 32 292 24 91; +995 32 292 00 86
+995 32 200 04 91
blc@blc.ge
blc.ge

LEGAL RATIONALE FOR THE SUPREME COURT DECISIONS REGARDING ADMISSIBILITY OF THE CLAIMS IS NOW REQUIRED

According to the latest amendments to the Civil Procedure Code of Georgia, the Supreme Court is now required to issue reasoned decision if declaring the case inadmissible. Prior to the amendment, the Supreme Court would simply refer to the provision on basis of which the claims were held inadmissible, without providing respective argumentation. Another important novelty is that appeal to the Supreme Court of Georgia is per se admissible if the appealed decision contradicts to the established practice of the European Court of Human Rights. That said, we hope to see even more ECHR case law quoted in the decisions of lower court instances.

UPCOMING AMENDMENT TO THE LAW ON ENTREPRENEURS: WILL THE PREEMPTIVE RIGHT OF SHAREHOLDER BE ACKNOWLEDGED?

The new bill presented by the Ministry of Economy on 20 March 2017 regarding amendments to the Law on Entrepreneurs aims to establish statutory preemptive right of shareholders in limited liability company. According to the bill, if a shareholder of a limited liability company decides to sell its shares, remaining shareholders will have preemptive right to purchase such shares. The bill further sets out the relevant procedure to be carried out for exercising such right. The right expires if not exercised by the shareholder within the term set by the selling shareholder, which must not be less than 10 days. Statutory preemptive right of purchase of shares in limited liability companies is a novelty in Georgian corporate law and does not extend to joint stock companies, other than with respect to newly issued shares. Notably, if the currently effective law allows for cancellation of such preemptive right of shareholders in JSC by 75% majority of votes at the general meeting, the bill removes any such right. Overall, the bill is tailored to protect the rights of minority shareholders, however it seems too rigid to be adopted by the Parliament in the current form.

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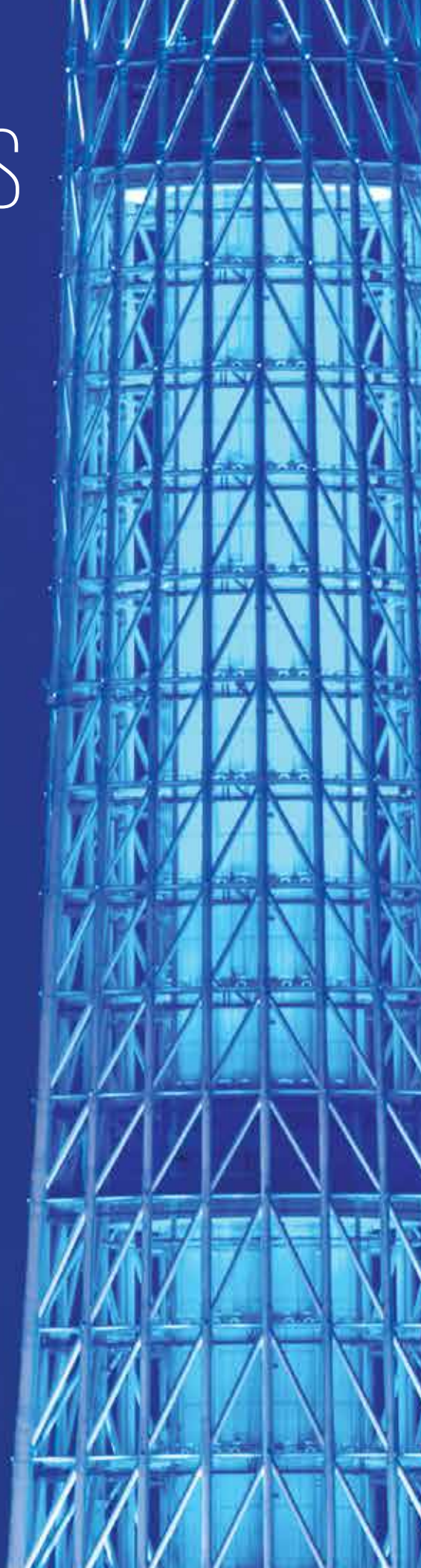

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