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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.

ASIAN DEVELOPMENT BANK OFFERING 255 MILLION EUROS FOR GEORGIA'S EAST-WEST HIGHWAY

The Asian Development bank is offering 255 million euros to help Georgia develop its East-West Highway. These funds will go toward the construction a four-lane highway through the 12-kilometer segment of the Khevi-Ubisa section of the highway, reports the Ministry of Finance of Georgia. According to agenda.ge, this section of the highway is considered one of the most difficult to construct, given its complex geological and geographical characteristics, which will involve many bridges and tunnels. This is in addition to Japan's commitment to allocate approximately \$343 million for the 14-kilometer long segment of the Shorpani-Argveti section of the East-West Highway made this summer.

NEW TERMINAL TO TRIPLE KUTAISI AIRPORT CAPACITY

A new terminal is planned to be constructed at Kutaisi International Airport by the end of next year. The new terminal will be more than three times as large as the existing terminal. According to Deputy Minister of Economy Akaki Sagirashvili, "Over the first ten months of this year we have already received 512,000 passengers at Kutaisi Airport. 52 percent of them are foreigners coming to Georgia as tourists and, of course, we are interested in keeping this number growing." Kutaisi International Airport is currently capable of serving 300 people an hour. After the second terminal is put into operation, the airport will have seven gates and its capacity will rise to 1,000 people an hour.

KAZTRANS GAS TBILISI SELLS FOR \$40 MILLION

KazTransGas Tbilisi, an affiliate of

Kazakh gas company KazTransGas, was sold for \$40 million on September 13. The Kazakh company suffered significant financial losses in the transaction, as its initial investment in the affiliate was \$160 million. The new owner of the Tbilisi gas distribution company is Waltbay, Ltd., which is an offshore affiliate of Caucasus Business Solution (CBS). One of the largest gas distributors in Georgia, KazTransGas Tbilisi had been in significant debt since at least 2009. Before this deal, Forbes.kz had written that Georgian Industrial Group had intended to purchase KazTransGas Tbilisi.

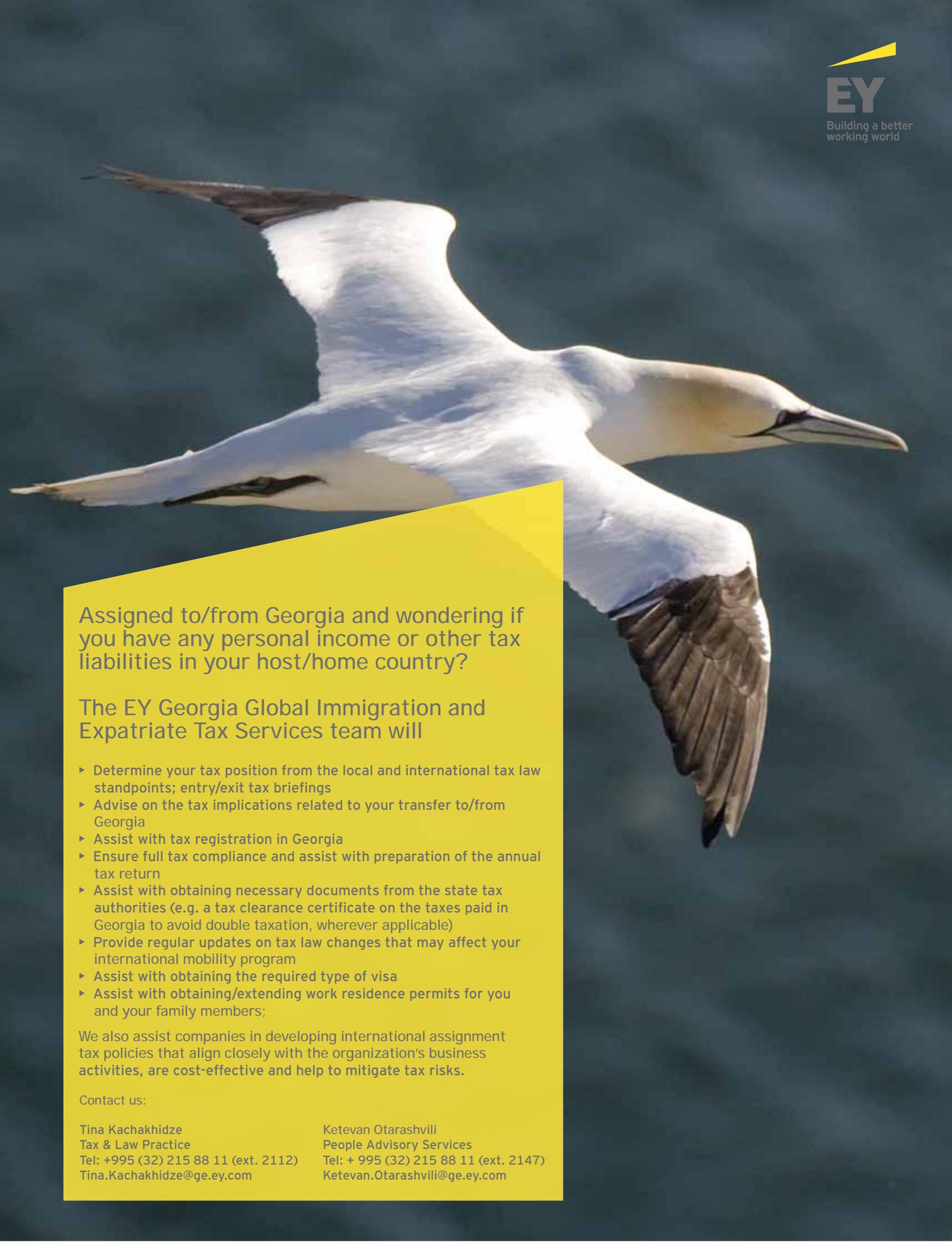
DOING BUSINESS 2019: GEORGIA RANKS 6TH AMONG 190 COUNTRIES

Georgia is ranked 6th this year in the World Bank's 2019 Doing Business report, which rates countries in terms of ease of doing business and economic development. Georgia's rating this year was up three spots from last year. Georgian Prime Minister Mamuka Bakhtadze said that the progress is a "tremendous step" toward integration into the global economy, and is evidence of the efficacy of government-implemented reforms.

Georgia has improved its standing in several areas, which include the ease of incorporating a business by cutting post-registration procedures, tax registration and payment procedures, licensing and the reliability of contract enforcement.

GEORGIAN EXPORTS TO EU REACH \$533 MILLION IN JANUARY-SEPTEMBER 2018

Georgian exports to the European Union in the first three quarters of 2018 increased by 13.2 percent to \$533 million in comparison to 2017, while imports grew by 21.5 percent in the same period to \$1.95 billion, Geostat data show. Trade with countries of the Commonwealth of



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► Independent States (CIS) also increased, with exports reaching \$1.16 billion—a 47.2 percent increase year-on-year. Georgia’s top trade partners in the first three quarters of 2018 in terms of overall trade turnover were Turkey (\$1.12 billion), Russia (\$879.8 million) and China (\$727.3 million).

GEORGIAN GDP GROWTH

The Georgian economy posted four percent growth in the third quarter of 2018, bringing the annual growth average to 4.9 percent for the first nine months of the year, Geostat reports. In September alone, the GDP growth rate

was logged at 5.6 percent. International financial institutions have set positive forecasts for Georgia this year as a whole, with the World Bank predicting 4.2 percent growth, while the European Bank for Reconstruction and Development (EBRD) has estimated growth will hit 4.5 percent. The Asian Development Bank thinks GDP growth might go as high as 4.9 percent, and the International Monetary Fund has revised its forecast all the way up to 5.5 percent.

EBRD FUNDS ENERGY EFFICIENT HOTEL

The European Bank for Reconstruc-

tion and Development (EBRD) is loaning \$14.5 million to a Georgian company to build a new mid-range hotel in Tbilisi.

The hotel, the Hilton Garden Inn, will be built by 64 Chavchavadze LLC, a local company managed by the Georgia-based Redix Group and owned by Georgian entrepreneurs, the Papashvili brothers. The hotel will have 170 rooms.

The EBRD plans to provide additional funds as part of its green investment initiative. The money will be used to install advanced energy efficient technology in the hotel, which will cut down on the amount of energy and water consumed on the property.



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U.S. National Security Advisor John Bolton's Lightning Tour of Georgia

U.S. NATIONAL SECURITY ADVISOR JOHN BOLTON VISITED THE SOUTH CAUCASUS IN LATE OCTOBER IN A WHIRLWIND TOUR OF ARMENIA, AZERBAIJAN AND GEORGIA.

Ambassador Bolton said the aim of his trip was to understand the “very significant geographical role” the countries of the South Caucasus have “in dealing with Iran, dealing with Russia, dealing with Turkey.”

While in Georgia, Ambassador Bolton met with Georgian Prime Minis-

ter Mamuka Bakhtadze, Foreign Minister David Zalkaliani, Minister of Defense David Levan Izoria, Interior Minister Giorgi Gakharia and Head of the Georgian State Security Service Vakhtang Gomelauri. Ambassador Bolton also met with AmCham.

MEETING WITH AMCHAM

The only non-governmental meeting that Ambassador Bolton took was with the American Chamber of Commerce. Talking to the officers of the board and senior members, he explained that it was important to meet with the American Chamber of Commerce, to thank them for all of their work to support U.S.-Georgia relations, and to hear from the

business community about opportunities and challenges in the country.

During a frank and friendly exchange of ideas, the AmCham group discussed a wide range of issues with Ambassador Bolton, particularly highlighting that Georgia is the United States’ strongest and most stable ally in the region and a key U.S.-strategic partner. Further, the group highlighted that U.S. support for Georgia continues to be vital, as it faces regional challenges, particularly from Russia.

AmCham also reiterated the importance of a U.S.-Georgia Free Trade Agreement, highlighting the many ways in which this would be to the advantage to both Georgia and America. In par-



ticular, it was agreed that strengthening commercial ties between the two countries could further strengthen the security relationship – and that American companies could benefit from greater access to Georgia – both to participate in large infrastructure contracts, and as a more efficient route into the wider region.

The Anaklia Deep Sea Port was also discussed. Its value was highlighted as an opportunity for U.S. companies to participate and invest, as a strategic asset at the Western end of the Silk Road and as a key component of Georgia's growth strategy.

The geopolitical and energy security aspects of the BTC and SCP pipelines were also mentioned, especially the strategic benefits of the expanded Southern Gas Corridor.

The two sides also discussed the political and business environment in Georgia. AmCham stressed that while there continues to be challenges, there

have been continuous improvements over the last 15 years. There was a mutual agreement from both sides to continue to engage in constructive dialogue and to work to strengthen the economic and security ties between U.S. and Georgia.

U.S.-GEORGIA FREE TRADE DEAL IN THE MAKING?

One of the top items on the agenda in Ambassador Bolton's meeting with Prime Minister Bakhtadze was the possibility of the U.S. and Georgia signing a free-trade agreement.

Bakhtadze said Bolton was supportive of the idea. Other aspects of U.S.-Georgian relations were also discussed at the meeting, including the challenges Georgia faces in the occupied regions of Abkhazia and South Ossetia.

"During the Presidency of Donald Trump, [the U.S. and Georgia] have advanced to a new level . . . With Mr. Bolton, we touched upon the humanitarian disaster in the occupied territories of the country and the peacekeeping initiatives that will help us in overcoming these challenges . . . Bolton is a loyal friend of Georgia . . . He has a clear vision on how to make our relations even more strategic," PM Bakhtadze said.

He later tweeted: "I just met with good friend of #Georgia @AmbJohnBolton. We are grateful for his steadfast support. The #Georgia-#US relationship is at an all-time high and we are further exploring opportunities to strengthen existing #Synergy."

OCCUPIED TERRITORIES, BLACK SEA SECURITY

Foreign Minister Davit Zalkaliani said he and Ambassador Bolton again focused on the security situation in the occupied territories.

Other issues discussed at the meeting included trade, the local economy,

defense and security operations. Georgia's role in Black Sea security was also praised during the meeting, the Georgian Ministry of Foreign Affairs website reported.

Zalkaliani underscored Bolton's dedication to the security situation in the occupied territories.

U.S. ASSISTANCE TO THE GEORGIAN ARMED FORCES, NATO INTEROPERABILITY

Defense Minister Levan Izoria and Ambassador Bolton discussed the Georgia defense readiness program—a U.S.-Georgian project that "supports the training of the Georgian Armed Forces and evaluation of infantry and . . . [increases] the defense capabilities of Georgian military units for territorial defense," the active phase of which will begin in 2021, according to the U.S. Embassy.

Also on the agenda was the state of Georgia-NATO interoperability, the Framework Agreement on Cooperation in the Security Sector for 2016-2019, and Georgia's participation in Mission Resolute Support in Afghanistan, to which the country lends 885 servicemen, according to the latest data available.

Several days later, Izoria confirmed that Tbilisi plans to continue acquiring tactical weapons from the United States.

SECURITY AT HOME AND IN THE REGION

Bolton's meeting with Interior Minister Giorgi Gakharia and the Head of the State Security Service Vakhtang Gomeauri focused on "security challenges facing Georgia, regional threats and the possibility of deepening cooperation," in addition to the need for "planning and coordinating a national security policy in the country," the State Security Service reported.



Innovators and Disruptors: Ideas to Bring Change

GEORGIAN ENTREPRENEURS ARE PUSHING THE COUNTRY'S DEVELOPMENT FORWARD. THIS COLUMN IS ABOUT HOW GEORGIA'S BEST AND BRIGHTEST ARE CHALLENGING THE LIMITS OF TECHNOLOGY AND THE MARKET TO CREATE THE BUSINESSES THAT WILL CHANGE OUR LIVES TODAY AND SHAPE OUR FUTURE. IN THIS ISSUE, INVESTOR.GE SPOKE WITH BETOBE, A NEW INTERNATIONAL PLATFORM DEVELOPED IN GEORGIA FOR ENTREPRENEURS SEEKING NEW MARKETS.

After years of working in non-profits designed to help businesses grow using traditional methods—like B2B meetings, forums, exhibitions, fact-finding missions and trade shows—Kakha Kokhreidze, Michael Nemsitsveridze and Vakhtang Tabatadze decided there must be a better way.

“Such events are related to high transaction costs compared to the outcomes and benefits we usually had,” Nemsitsveridze told *Investor.ge*

“We realized that an online platform, new technologies and artificial intelligence can create new opportunities and help [the] right partners to find each other,” he added.

The three created a new online platform to help entrepreneurs reach new markets, BeToBe.com. The site allows companies to negotiate directly and provides services, like shipping and customs clearance in a single platform.

“At BeToBe we think that there are millions of small and medium businesses from developed and developing economies that offer great products, but aren't well presented on global markets. Therefore, BeToBe is a new, great business platform with social networking services for such users. Through this platform, business people can minimize costs, speed up the operations and increase productivity of their companies,” Kokhreidze told *Investor.ge*.

Nemsitsveridze told *Investor.ge* the service is “primarily designed for entrepreneurs who are interested in increasing their sales, especially international transactions, and entering new markets.”

He noted that manufacturers have to answer a set of questions before they can enter a new market, such as “how to enter, do they need to adjust products and services to the needs of new market and do they need to devise new components and adapt to new regulations?” The best people to answer those questions are local entrepreneurs, Nemsitsveridze noted.

“The primary step to enter new market is to find a reliable, qualified local partner. Local businesses want to bring good products and services to their markets . . . We know that process is difficult and this is where BeToBe enters [the picture],” he said. The site allows businesses to do everything from creating a company page to negotiating terms with potential partners and start a new line of business.

Nemsitsveridze said that BeToBe is both an innovator and a disrupter in the field. “It disrupts many traditional approaches that exist in international trade. Most of the internet software companies charge for connecting different vendors. We do not . . . The biggest advantage we offer to our users is freedom—freedom to choose how to organize their own businesses,” he said.



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Investor Spotlight: Cultivating the Culture of Golf

INVESTOR.GE RECENTLY SPOKE TO TBILISI HILLS' OLEG OSSINOVSKI ABOUT BRINGING THE CULTURE OF GOLF TO TBILISI.

HELENE BEDWELL

Georgia is not a golf destination—or at least, not yet.

Oleg Ossinovski, the major investor behind the Tbilisi Hills project, believes the game has the potential to charm locals and foreigners alike.

To date, the Estonian AS Skinest Group has invested 33 million euros in the Tbilisi Hills Golf & Residence, which includes a 110-hectare golf course over a total area of 331 hectares.

The course opened on September 21.

Ossinovski notes that while golf sounds “illogical” in Georgia, the investment has been well worth it.

“The golf course is not just a business for us,” Ossinovski told *Investor.ge*.

“Golf has achieved development in neighboring countries such as Turkey, so I am certain that it will develop in Georgia too. It may not become a dominant form of recreation, but it will find a certain niche in society,” he said.

The AS Skinest Group hired Finish company Tilander Golf Design (experts in design and landscape architecture), Latvian company MODO-GOLF (a golf course construction company) and Estonian Kaamos Group (a construction company involved in real estate development, road construction, and other services) to build Georgia's first 18-hole golf course and premium class residential properties.

The project includes a professional-standard golf course, residential properties (villas, semi-detached houses, and several apartment buildings), facilities for a privately-run school and kindergarten, an outdoor swimming pool, a fitness center, a spa, a tennis court, a clubhouse, a five-star hotel and restaurants.

The total cost of investment at the end of the project is estimated at 1 billion euros.

AS Skinest Group also has two other major projects in Georgia: 6 megawatts of installed hydroelectric capacity in western Georgia (in Kitnrishi and in Magana) and the railway company Skinest Rail Georgia Ltd.

GOLF IN GEORGIA: A REPORTER'S NOTEBOOK

“The 18-hole golf course is only 6.5 km from Tbilisi city center. I arrive there in no time from downtown and was amazed by the breath-taking views from the large terrace, which is already attracting golf lovers.

The equipment-packed shop was serving several familiar faces.

I was pleased to see it was child-friendly; there was even a little boy learning the basics of the game with his mom and an instructor.

Traveling around the course by golf cart, my attention was captivated by the views. The hole near the Shavnabada Monastery was particularly beautiful.

Golf has long been a crucial part of business networking in the West; today Georgian entrepreneurs and investors can also enjoy the benefits of the game!

Georgia Rises to 6th Place in Doing Business Report

GEORGIA JUMPED FORWARD THREE PLACES IN THE ANNUAL DOING BUSINESS REPORT, WHICH RANKS 190 ECONOMIES BASED ON 11 DIFFERENT CRITERIA.

Georgia is the easiest place to do business in the region, according to the World Bank's 2019 Doing Business report.

The annual report ranked Georgia 6th out of 190 countries, up from 9th place in the 2018 study.

Prime Minister Mamuka Bakhtadze praised the results but called for even better scores next year.

"This progress indicates a tremendous step forward towards integrating our country in the global economy and is evidence that reforms implemented by the Georgian government are successfully serving the economic development of our country," Bakhtadze said at a press conference on October 31.

"The annual improvement of the country's ratings . . . is a prerequisite for our country to become an unconditional leader not only in the Caucasus, but in the greater region in terms of economic development and ease of doing business. Georgia is already one of the most reliable economies of the world and we plan to further improve our results. You may know the vision of our government: Georgia should be in the top five in all the international ratings," he said.

The new ratings place Georgia ahead of neighbors in the region and indicate the country is competitive with European and other developed economies. Georgia scored below New Zealand, Singapore, Denmark, Hong Kong, and South Korea. It was ranked above Norway, the United States, the United Kingdom and Macedonia.

Overall, Georgia scored well on the ease of opening a business (2nd place), registering property (4th place) and protecting minority investors (2nd place). The country earned its lowest rank in resolving insolvency (60th place).

Mercy Tembon, the regional head of the World Bank, praised Georgia's consistent improvement in the rankings.

"Georgia has been consistently advancing in the ratings over the years, and this is a [testament to] progressive reforms and programs that improve the business environment. More precisely, reforms implemented this year and planned for the future will further advance Georgia's position," she said.

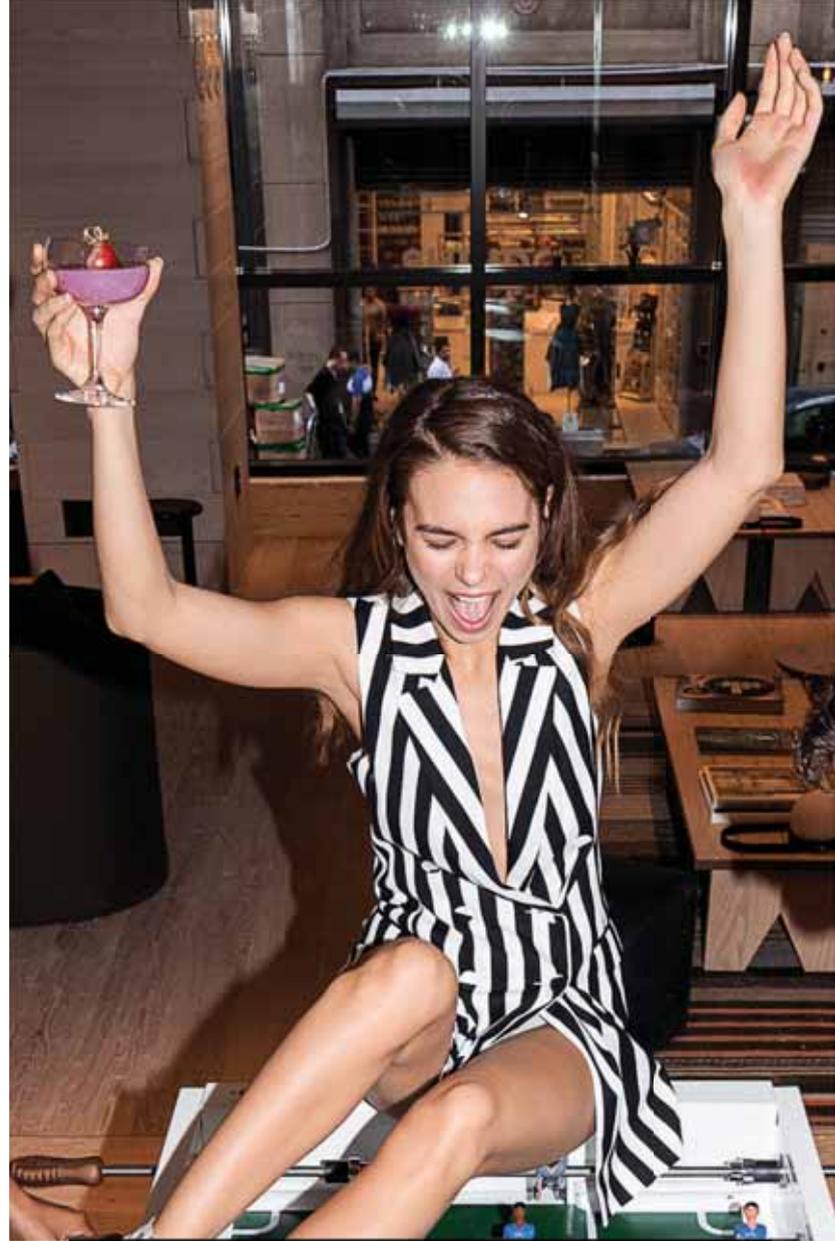
Bakhtadze expressed hope that Georgia will continue to improve as more reforms come online.

"I am confident that our country will further improve these data and if we consider that International Chamber of Commerce (ICC) Arbitration will soon have its presence in Georgia, this step will help us turn our project initiative into a reality and Georgia will become a business and arbitration hub," he said.

The Prime Minister noted that Georgia is working with the World Bank on its Human Capital Development Project, "which is greatly important for our country and the proper utilization of our youth's resources and potential."

He added that the best sign of success will be when the country can resolve its biggest economic challenge: poverty.

"We have a lot of economic challenges in Georgia, though the biggest is poverty. Ultimately, such success stories will help us in making Georgia stronger in economic terms and turn it into a regional economic hub. That is the prerequisite for eradicating poverty in Georgia once and forever," he explained.



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Georgian Reforms Inspiring Changes in Countries Near and Far

GEORGIA'S SUCCESS AT IMPLEMENTING REFORMS QUICKLY HAS HELPED MOTIVATE COUNTRIES ACROSS THE REGION AND AROUND THE WORLD. INVESTOR.GE SPOKE TO CONSULTANTS AND INTERNATIONAL DEVELOPMENT EXPERTS ABOUT HOW GEORGIA'S EXPERIENCE IS HELPING OTHERS.

From Mongolia to Ghana, governments are looking to Georgia to learn how to reform.

The country, which ranked sixth in the World Bank's Doing Business 2019 report, has inspired many other governments to learn how Georgia itself reformed in so many areas so quickly. Georgia's ability to continue its reforms despite political changes and to continue to evolve its approaches to meet current needs has made it a model for other countries seeking to emulate its successes.

For example, Georgia's public ser-

vice hall reform and one-stop window for licenses and other government services have inspired dozens of similar efforts around the region and further abroad. Law enforcement reform and the country's tax overhaul have also been attempted elsewhere, with mixed results.

While it is impossible to replicate the conditions that led to Georgia's reform success, the men and women who helped the country craft its reforms are now teaching other governments how to find their own path.

"Why are countries looking up to Georgia? Because Georgia has demonstrated that political will, the leadership, and the ability to actually turn things around. That commitment and that leadership have enabled them, even with the resources that they have, to be able to make things happen," Mercy Tembon, World Bank Regional Director for the South Caucasus, Europe and Central Asia, told *Investor.ge*.

"The other reason why other countries are looking to Georgia is because they are seeing the results. They are seeing the results on the ground, they are seeing how the results are impacting people's lives. The whole country is progressing in all directions – in infrastructure, in the business environment, in developing the private sector, in the banking and financial sector – in the use of digital technology," she said.

THREE KEY REFORMS FOR SUCCESS

Public finance, public administration and law enforcement were three main reforms that Georgia tackled first, which set the pace for the country's success, according to Aleksi Aleksishvili, Chairman and CEO at Policy and Management Consulting Group (PMCG).

Aleksishvili served as finance minister from 2005-2007, during the height of the reforms in the country.

Today, as CEO of PMCG, Aleksishvili and his team are helping governments around the world – including Georgia – reform and develop.

"Why are countries looking at Georgia's experience? Georgia succeeded in the transformation of existing systems, starting in 2004, and that was a significant transformation," he told *Investor.ge*.

Aleksishvili noted that the changes were so dramatic, they captured the attention of many countries, from Central Asia to the Balkans and Africa.

Over the past decade, governments around the world have asked PMCG for help: Aleksishvili and his team have worked everywhere from Mongolia to Kosovo assisting countries address the areas they need to reform.

Roy Southworth, who served as country manager for the World Bank from 2003-2008, agrees that governments are attracted to what Georgia was able to achieve.

"I think that there is an eagerness to emulate what Georgia has done in key areas," he said.

Georgia's successes – tax reform, public administration, business environment, police and law enforcement – have all been well documented in the World Bank Group's Doing Business reports.

The reports provide an annual ranking system that makes it very easy for governments to see where reforms are taking place, and what changes are taking root and making a difference.

In the case of Georgia, the change has been stark. In 2005, the country ranked 112 out of 175 countries; it was in eighth place in 2014, ahead of all its immediate neighbors as well as many wealthier and more developed countries like the United Kingdom, Canada and Germany.

POLITICAL WILL, PUBLIC WILL

"Georgian reforms succeeded because of the ownership of the Georgian government at that time – and Georgian society. It was like a willingness of society to change. It was as if society matured enough to do something, and they did it," Aleksishvili said.

"In some areas in some other countries, we see that there is a political leader who has some ideas or willingness to do something, but the overall political environment or society is not ready. When that happens, usually international consultants propose their own ideas and that does not work. This is not only a matter of ideas; it is also a matter of ownership. They [countries] have to create this ownership themselves," Aleksishvili said.

When Georgia was developing, the government looked to other countries' experiences, he noted, including reforms in Estonia, Slovakia, New Zealand, Singapore and elsewhere.

"So, it is normal that now someone is considering Georgia's case," Aleksishvili said.

LOW-HANGING FRUIT

Georgia's reforms resulted in a complete overhaul of the major institutions that are vital for a functioning state: tax reform, customs, doing business.

While the reforms were implemented quickly, that does not mean they were easy, painless or perfect.

In a classic case, then-President Mikheil Saakashvili fired the entire police force in a single day. That type of radical approach was necessary for Georgia because the country was dealing with an epic level of corruption, which had robbed the treasury and paralyzed the function of the state. But it is neither realistic nor necessary for other countries to copy what Georgia did.

"The question is 'Why are these reforms so successful in Georgia?' Because the history and the context of Georgia was very, very available to them. You are not going to have another country that has gone through Georgia's history," the World Bank's Tembon said.

But there are valuable lessons that can be learned from Georgia's experience, she stressed.

Aleksishvili said he and his team are not trying to "just transform or copy something" from Georgia to another country. It is not a case of exporting reforms; it is teaching other countries how to identify what is necessary to reform and what methods work. Southworth noted that governments are attracted to the speed of reforms – and the "easy ones," i.e. the changes that create the "perspective that petty corruption is declining and service levels are increasing."

Aleksishvili agreed some governments want change without tackling the "fundamental" issues that really matter.

"They want to sometimes improve their services but not address some very fundamental stuff. They want to improve some e-governance components in their operations but not address those fundamentals which are related to anti-corruption or some other areas," Aleksishvili said.

"That is why also it is sometimes very difficult to convince them that they need to address very important fundamental issues."

He added that while governments might first be attracted to Georgia due to how quickly the government was able to reform, his team explains that "quickness is a tricky issue" because sometimes speed

leads to mistakes.

"You need to construct something that will be very solid. And, sometimes they do not want to pay attention to fundamentals, while they want to pay attention to façade... We sometimes made these types of mistakes in Georgia as well, right?"

The fact that Georgia made mistakes and has learned from them adds to its attractiveness for countries seeking to reform, Aleksishvili said.

"Not only do we know how to do something, but we know the mistakes that we made ourselves, so knowing how to avoid making those mistakes is very important as well," he said.

FROM REFORMS TO DEVELOPMENT

Aleksishvili noted, however, that at PMCG they are not "positioning themselves as branding Georgia."

"We look at that as an international development process, not just Georgia as a brand for reform or example," he said.

What is most important, he noted, is that reform is just one stage in the process. "This is not the end of the experience that we have from Georgia and what we can deliver. We are trying to develop further," he said.

Today PMCG is working with the Georgian government and other governments in many areas, including tourism development, infrastructure and waste management.

This experience is also attracting foreign governments, especially in Central Asia, according to Zviad Kharebava, PMCG's Director of Business Sector Consulting.

Everything from traffic to dealing with waste and wastewater is important for governments today.

"Previously during Soviet times, we did not have any organized landfills, we just had dump sites. Now Georgia started building the landfills by European standards. Other countries in Central Asia are also looking at this and they are starting," he said.

"For example Kazakhstan, Tajikistan, Kyrgyzstan, they are looking for such kinds of opportunities and some tenders were already announced, and the projects will start soon... They are looking at the world experience, not only the Georgian experience. But since Georgia took some steps already, we can export this knowledge."

GEORGIAN-INSPIRED REFORMS AROUND THE WORLD

Countries from Africa to Eastern Europe have sought to learn from Georgia's reforms. Here is a brief overview of some of the nations that have been inspired by Georgia's example.

PMCG has worked in over 22 countries across three continents over the past 11 years. Another Georgian consultancy firm, led by former Prime Minister Nika Gilauri, has also worked in over 20 countries across Europe, Asia and Africa.

Those countries include Albania, Afghanistan, Armenia, Azerbaijan, Belarus, Egypt, Iraq, Kazakhstan, Kosovo, Kyrgyzstan, Liberia, Moldova, Mongolia, Mozambique, Niger, South Africa, Tajikistan, Turkmenistan, Ukraine, Uzbekistan and many others.

As an international advisor for the European Bank for Reconstruction and Development, former Prime Minister Giorgi Kvirikashvili is working closely with the Uzbek government on its reforms.

According to the World Bank in Georgia, Albania identified Georgia as a country of interest, in particular given its best practice in designing and implementing efficient and effective cash transfers targeted to the poor and vulnerable, according to the World Bank in Georgia.

Likewise, the World Bank hosted a delegation from the Kurdistan Regional Government, which had identified Georgia as a country of interest for similar reforms.

"We believe that it would be helpful and informative for the KRG team to be introduced to the experience of Georgia as this will contribute to the leveraging of their capacity and enhancing their global knowledge about the details of targeting and efficient implementation," the World Bank's Mercy Tembon said.

"This visit built upon the lessons learned from a previous learning visit to Tbilisi about two years ago, and the impressive results witnessed at that time."

Heading Into the Pension Reform: What to Expect

GEORGIA IS GEARING UP TO IMPLEMENT ITS NEW PENSION REFORM IN JANUARY 2019. INVESTOR.GE'S SALLY WHITE PROVIDES AN OVERVIEW OF WHAT TO EXPECT, WHOM IT WILL IMPACT AND WHAT THE GOVERNMENT EXPECTS TO ACHIEVE.

SALLY WHITE

WHY THE PENSION REFORM?

Challenges in the demographic composition of the country have driven the Georgian government to introduce a contributory pension savings system to replace one that was solely government funded from tax receipts. Pension payments, already the largest item on the government's bill, were in danger of squeezing other expenditures out of the budget. A government report found that pension spending would double by 2060 to 9.5 percent of GDP.

A survey done for the Ministry of the Economy and Sustainable Development (the sponsoring ministry for the pension report), which carried out preparatory work for the ministry's report on pension reform, found that Georgia does not only have a shrinking working-age population because of emigration and a declining birth rate, but its make-up is changing. Pensioner numbers are rising much faster than those of the working population. So today, if four people of working age sup-

port a pensioner, the report states, by 2060 the ratio will be down to two people of working age supporting each pensioner. Pensioners will number a quarter of the population by 2030.

Georgia has only 1.1 million income-tax payers, the report's survey found, of whom only 695,000 were estimated to have been employed for more than six months in the year. Set against that, the number of old-age pension recipients was 707,709, and by 2030 it will be 950,000.

Pensioners are living for longer as well. Between 2006 and 2015 there was a vast jump (175 percent) in number of people aged 85 and above, it says. But the birth rate is forecast to decline from the 2020s, falling 10% by 2060.

To maintain even the current standard of living for state pensioners, increases in government expenditure and taxes would be necessary. Pensioners are, on average, receiving only two-fifth of what they had been earning prior to retirement.

NEW PENSION SCHEME DETAILS

- All employed persons who have not ►►

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► reached the age of 60 (for women, the age of 55) prior to enactment of the law, will be automatically involved in the new pension scheme upon the receipt of their first wages or salary for the year 2019.

- An employed person who has reached the age of 40 (for both genders) prior to enactment of the law and who does not wish to be involved in the new pension scheme may withdraw within 5 months after their automatic involvement (but no earlier than 3 months from that date).

- Each Georgian citizen will be provided with a pension account for monthly deposits.

- Participation in this pension reform is mandatory for employed persons under 40 years of age.

- Up to a gross salary of GEL 24,000, the pension payment scheme will involve a 2% contribution from each employee, 2% from the employer and 2% from the government. For gross salaries between GEL 24,000 and 60,000, the government contribution will drop to 1%. Over 60,000 there will be no required state contribution.

- The self-employed will have to pay 4% of their income toward their pension.

- In the event of death before reaching the pension age, access to the savings will be passed to the deceased's heirs.

- After a person reaches retirement age, the state and the employer cease to credit 2 percent. The worker will be able to continue saving with their own 2% installments only.

- Early withdrawal will be taxed with penalties.

- Pension assets will remain in the individual account of any participant who stopped making contributions due to termination of labor relations; a leave for pregnancy, childbirth, childcare, or adoption; or temporary or long-term incapacity.

- All elements of the system are tax-free: contributions, investment returns and pay-outs.

- The government has stated that the existing state pension will continue to be paid.

WHO WILL MANAGE GEORGIA'S PENSIONS SAVINGS?

The pension contributions by employees, employers and government will provide an investment pool which will

be invested to generate revenue for the pensioners. Key to the success of the new Pension Agency is who will run it. For this role the government has hired Dr. Levan Surguladze.

Dr. Surguladze's background is remarkably wide-ranging. After years in academia in Russia, the U.S. and Europe, focusing on nuclear physics and with a formidable list of publications, he switched careers in 1999 and became a Wall Street trader and then a senior financial risk manager in London and New York. In Georgia he now heads one of the major car trading and import-export businesses, Caucasus Business Group, and is on the supervisory board of Georgian Railways. He has also been an advisor to the National Bank of Georgia.

Dr. Surguladze's blue-chip financial market background includes working for Deutsche Bank in London in their credit derivatives area, then in Barclays' Risk Finance in New York and finally UBS Investment Bank as Director of Risk Control. Thus, he has been involved in all aspects of investment, especially in that vital aspect of pension fund management—financial risk.

The Pension Agency's Director, according to government announcements, will be responsible for implementing the administrative activities of the agency, planning the budget and communicating with third parties. Given the dual role of the pension fund, being responsible not just for the provision of pensions but having an important economic development role, the Agency has been designed with a robust structure.

Details and names have yet to be fully announced. However, the Director will work with an Investment Council, which will determine investment policies and the fund's structure; this Council will be comprised of five members, mostly professionals, but including candidates elected by parliament. The National Bank of Georgia will also have a monitoring role.

The Director will have oversight of the actual management of the funds. The management of these funds is expected to be put out to tender. Several Georgian capital market groups have indicated interest. The investment allocation necessary to ensure sufficient long-term returns will require international diversification, so the task is a sophisticated one.

GAINS FOR COMPANIES

While the new system will generate some costs for companies, Deputy Minister of Economy Ekaterine Mikabadze has said that the savings generated would benefit them. These savings would help develop Georgia's capital markets and improve companies' access to funds.

"These savings might be invested both in corporate bonds of different maturities (supporting an increase in liquidity) and in standardized, high-quality financial assets issued by private companies. This can be expected to facilitate access to capital and to reduce the cost of financing," she explained in a press conference.

The Ministry's final report ahead of the pension reform spoke also of the resulting "creation of new financial securities," which could lead to the expansion of bond and equity markets.

"Furthermore, there will be a higher demand for professional fund management companies and other financial agencies. This will ultimately lead to the development of strong financial institutions, more versatile markets and a wider range of available financial services," the report stated.

Backing for the move to the new system has come from the international financial institutions whose funding supports Georgia, including the World Bank. Georgina Baker, a Vice President for Europe & Central Asia at the International Finance Corporation, a World Bank Group member, told journalists that the new system would "bolster the accumulation of savings outside the banking sector and boost demand for bonds issued by Georgian corporations." Referring to EU requirements for Georgian capital market developments and the need to create new courses of funding via bonds for Georgian companies, she added: "This can help create alternative savings and new sources of liquidity. The pension reform is expected to promote domestic savings and create an institutional investor base for long-term lari-denominated assets."

She continued: "All this is crucial for the country's economy. World Bank Group research has revealed that emerging-market countries with robust domestic capital markets are better able to manage financial crises, avert major economic dislocations, and help firms and citizens maintain financial solvency."



ნოდია, ურუმაშვილი და პარტნიორები
NODIA, URUMASHVILI & PARTNERS

NODIA, URUMASHVILI AND PARTNERS AT ICC BANKING COMMISSION LEGAL COMMITTEE MEETING

On 15-17 October 2018 the International Chamber of Commerce (ICC) Banking Commission Technical Meeting was held in Tbilisi, Georgia. Over 200 participants from 50 countries attended the meeting. The major topics of discussion included: Georgia's role as a technology hub, launch of the ICC Digital Road Map Survey report on the legal status of electronic bills of lading, E-compatibility of ICC rules, ICC Rules for Experts.

Daduna Kokhreidze and Ketevan Kharebava, partner and associate at Nodia, Urumashvili and Partners participated as invited guests on the meeting of the legal committee of the Banking Commission held on 16 October 2018. Ms. Kokhreidze leads construction law practice of the firm. She specialises in construction law and dispute resolution and deals with construction contracts and dispute

resolution in all forms including litigation and arbitration. Ms. Kharebava is experienced in banking and finance, corporate and commercial law.

Ms. Kokhreidze and Ms. Kharebava introduced Georgian legal framework to the members of the ICC Banking Commission Legal Committee meeting. Presented topics covered the overview of Georgian commercial law with a particular focus on the Georgian case law related to the independent nature of the bank guarantees, as well as the overview of dispute resolution mechanisms in Georgia. The presentation is available on the website of the ICC legal committee: <https://www.icc-austria.org/en/Trade-Finance/ICC-BC-Legal-Committee/Publications/Guest-Presentations.htm>

The Independent Nature of the Bank Guarantees – Selected Case Law of Georgian Courts

- **Case № as-781-996-08 [2009]** - “The main characteristic of the bank guarantee is its independence from the main duty.”
- **Case № as-562-871-09 [2009]** - “The agreement between the guarantor and the principal does not affect the relationship between the guarantor and the beneficiary.”
- **Case № as-396-376-2015 [2016]** - “The agreement should have been breached, terminated and the beneficiary should have demanded the return of the advance payment before calling the bank guarantee which was not the case.”
- **Case № as-960-925-2016[2017]** - “According to the principle of strict compliance, the demand of the beneficiary shall strictly comply with the conditions of the guarantee and shall be accompanied with the documents listed in the guarantee.”
- **Case № as-1038-999-2016 [2017]** - “The bank guarantee secures the fulfillment of the beneficiary's claim even if the duty under the main agreement does not exist, is performed, terminated or invalid.”



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New Projects to Expand Sustainable Tourism in Georgia

FROM RENOVATED CAVES TO ECO-FRIENDLY LODGING, GEORGIA IS LOOKING FOR WAYS TO TURN ITS GROWING TOURISM INDUSTRY INTO A SUSTAINABLE BOOM OF TOURISM FOR THE COUNTRY'S NATURAL PARKS AND HISTORIC SITES.

LIKA JORJOLIANI

Therapy in caves, tours to document bird migration, fleets of electric cars—Georgia is working across the spectrum to develop slivers of sustainability in its booming tourism industry.

While progress is slow and the overall impact has been limited so far, innovative plans from the government, tourism associations and international donors are starting to take shape.

BRINGING TOURISTS TO NATURE

A record 5.9 million people visited Georgia in the first eight months of 2018—almost two visitors for every local—and generated over a billion dollars in tourism-related revenue.

Today, Georgia is grappling with the same problem as dozens of other emerging tourism hotspots: how to make the tourism industry sustainable and benefi-

cial to the local economy.

An effort to expand and improve access to Georgia's national parks and other natural wonders is already underway.

"Currently, ecotourists want to see and feel something special, and accordingly they pay attention to tourism products that reflect local identity. If in the past tourism was focused on sightseeing, today it must be focused on feelings," noted Natalia Bakhtadze-Englender, a consultant working with the Association of Ecotourism of Georgia. "A tourist planning his trip to any [given] country, looks for a place that is closest to his dream [destination]. If he wants to have a holiday at the sea, he browses the social network photos made by another tourist. Today, photos made by tourists express the feelings they receive, and not an image of a concrete place for sight-seeing," she added. The Association is working with local communities to help them create tourism businesses that provide visitors with unique experiences.

For instance, she noted the growing popularity of staying in hostels or family-run hotels and enjoying traditional Georgian meals with local families instead of at restaurants.

"Ecotourism doesn't require large capital investments; however, business operators working in this sector need qualified staff: experienced administrators, [and] guides who will provide guests with thorough information on the ecosystem of the region and local traditions," Bakhtadze-Englender said.

In 2016, with support from donors, the Association created a practical guide (How to Create an Ecotourism Product) for communities in Georgia's western Samegrelo region, specifically the towns of Senaki and Martvili.

"We wrote it using understandable language and distributed the material. For example, nobody knew about the true

histories of sightseeing places all around them. They thought that they were only beautiful places for feasts," she said.

The Association is also working with the government to create an "ethno-village" in Georgia's autonomous region of Adjara. The village will be in Machakhela Gorge and will help the local population develop tourism in the region. The Ministry of Finance and Economy of Adjara has allocated 423,000 lari for the project.

Private tourism companies are also working on projects to make sites outside of Tbilisi and Batumi more accessible. For example, Nika Vacheishvili, who owns a vineyard and hotel in Ateni, Georgia, located 10 kilometers from Gori (100 kilometers from Tbilisi).

He has also created a downloadable app for tourists to use to learn about the history of Shida Kartli and the sites around the vineyard and hotel.

"Last year we had guests who came to observe the butterflies, now we are working to develop bird watching... We are also planning to develop an observatory for stargazing," he said.

"But unfortunately, we have more ideas than financial resources," Vasheishvili said.

He argued that the government needs to do more to help small businesses in eco-tourism develop, including facilitate access to inexpensive loans to finance projects and, from the private sector, more affordable bank loans.

The Chairman of the Agency of Protected Areas of Georgia, Valerian Mchedlidze, noted the government is sponsoring projects across the country.

The Agency has seen a sharp increase in the number of visitors to Georgia's national parks over the past year. In the first nine months of the year, 974,268 people visited Georgia's national parks, resulting in revenue of 7,612,816 lari.

The most popular destinations are Prometheus Cave, Martvili Canyon and Kazbegi National Park.

Mchedlidze said now the government is working to expand the offerings for tourists, both by increasing the number of national parks and improving the amenities and tours available at the existing locations. “Generally, tourists are interested in biological diversity. In total, 260 hectares will be added to preserved areas. We have prepared eight draft laws for consideration by the Parliament. According to the EU-Georgian Association Agreement, Georgia has committed to classifying 12 percent of its overall territory as preserved areas by 2020,” he said.

Current plans include rehabilitation and renovation for several cave formations in the country, including in Okatsio, Prometheus and Sataplia, where more illumination and improved infrastructure will be built over the next year.

There are also plans for caves that have not been accessible for tourists in recent years, Mchedlidze said, specifically highlighting efforts to rehabilitate and modernize Navenakhevi Cave, where they are building a visitor center, cafes and a souvenir shop, as well as a modern lighting system and paths for visitors.

The Agency is also working on improving the infrastructure at Satsurblia Cave, which Mchedlidze said has the potential to become the first cave in the Caucasus to offer speleotherapy, a type of treatment offered to people with a wide

range of ailments, including asthma and bronchitis.

“Work on the infrastructure is complete. Currently, work is underway to open the site for visitors. We already have interest from potential investors and plan to lease this site,” he said.

The Agency is also working with foreign donors to improve existing parks: a visitor’s center has already been built at Algeti National Park and, with funding from KfW, a German development bank, a museum is being planned.

Kazbegi National Park and Borjomi-Kharagauli National Park are also getting new visitors’ centers, funded by KfW, the Caucasus Nature Fund (CNF) and the European Neighborhood Programme for Agriculture and Rural Development (ENPARD), respectively.

Projects are also underway in more remote areas in the country. Mchedlidze told *Investor.ge* that a visitor’s center has been built in Pshav-Khevsureti National Park in Dusheti and a cafe, as well as several park ranger stations, have been constructed in Shatili.

“We are implementing very interesting projects in the Earl’s Gorge where we plan to build a two-story cottage on the peak of the rock. In Kolkhetti National Park we are building a pier for boats. There will be a small port in the village of Paliostomi with several cottages so tourists can spend the night. All these projects will be financed by donors or from the state budget,” he said.

GREEN ECONOMY

The Ecotourism strategy dovetails with the government’s green economy policy, a wide-reaching plan to introduce sustainability in various sectors of the economy. The plan, which was detailed by Prime Minister Mamuka Bakhtadze in October, includes far-reaching changes for government spending.

The plan includes the creation of the post of Eco-Ombudsman, who will support government efforts to be “effective at tackling ecological problems,” Bakhtadze said. He added that Georgia will adopt a higher standard for diesel fuel and, eventually, the country will become a producer of high-quality bio-products. No specifics were available about the government’s plans in this area.

Bakhtadze provided more details about the government’s planned incentives to get consumers to purchase electronic vehicles.

“We will provide encouragement for new leasing schemes in Georgia, according to which a consumer will [be able to] buy an electric car and pay it off within five years, based on the savings in fuel costs,” he said in a televised address.

“This means that we will have quite a large market in Georgia. We are already negotiating with two of the largest brands to build an electric car plant here,” the Prime Minister noted, adding that the goal is to convert 90 percent of the total cars in Georgia to electric vehicles over the next decade.

UNTAPPED POTENTIAL: BIRDWATCHING IN GEORGIA

Thousands of ornithologists from around the world travel to Georgia every year to witness, study and document the annual bird migrations that cross the country. From the second half of August until the middle of October, more than a million birds fly along a narrow, 10-kilometer migration corridor in Georgia on their way to warmer countries. More than 35 different kinds of birds travel this route, some of which are rare predatory birds.

For the past decade, tourists and scientists alike have traveled to Adjara to see the migrations, opening a new—and fast-growing—tourism niche in the region.

Adjara even hosts an annual festival to honor the event,

which was held on September 3-8 this year. The festival, organized by the Adjara Tourism Department, has been instrumental in helping locals develop birdwatching-related tourism and has helped promote bird-preservation efforts. According to the Adjara Tourism Department, more than three thousand ornithologists have come to the region to observe these mass migrations over the past ten years. The epicenter of this activity is the village of Sakhalvasho, a 20-minute car ride from Batumi. The local economy there has been quick to adapt to the growing need: there are more than 20 family guesthouses in the village, and their number is growing.

A Makeover Fit for a Duke

PLANS TO RENOVATE THE ROMANOV PALACE IN LIKANI, NEAR BORJOMI, WERE PRESENTED IN OCTOBER BY THE PARTNERSHIP FUND, WHICH IS FINANCING THE PROJECT. THE HISTORICAL SITE, ONCE ENJOYED BY THE FAMILY OF THE RUSSIAN TSAR AND, MANY YEARS LATER, JOSEPH STALIN, WILL BE OPEN FOR TOURISTS AND VISITORS IN APPROXIMATELY TWO YEARS.

LIKA JORJOLIANI

It was the house of fairytales. Built because it was close to magically healing springs in the forests of Borjomi Valley, the Romanov Palace in Likani was once home to the Romanovs. Today Georgia is investing in its cultural wealth, including the Romanov Palace, as it seeks to expand its offerings for tourists, both local and foreign, says Davit Saganelidze, the executive director of the Partnership Fund (PF).

"Countries in the global tourism industry create legends and use marketing techniques to attract tourists. We are standing in a place that brings to life a legendary era of history, which is interesting for tourists as a historical site and for medical tourism," Saganelidze told journalists at a press conference held in October at the Romanov Palace in Likani.

NEW LIFE FOR HISTORICAL SITE

The government's Partnership Fund is

financing the rehabilitation of the palace and surrounding park as part of a new Likani tourism site. The fund plans to invest 771,000 lari (approximately \$290,000) in the project.

The house was designed by famous Russian architect Leon Benois for Grand Duke Nicholas Mikhailovich of Russia, the cousin of Tsar Nicholas III.

The grand duke was drawn to Likani after he heard stories of the healing power of the local waters: legend has it the waters were discovered by chance by Russian soldiers walking through the forest. One officer had an upset stomach and felt better after drinking the water. The tale of the magical properties of the water reached the Russian Tsar's viceroy in the Caucasus, Yevgeny Aleksandrovich Golovin.

Golovin's daughter was ill, and he sent her to Borjomi for treatment. She recovered and the site began to gain prominence. Golovin's successor, Mikhail Borontsov, created a development plan for Borjomi, which included a water production facility.

In 1862, the grand duke was named viceroy and he decided to turn Borjomi/Likani into a summer residence for the Romanov family. Benois designed the palace, which was completed in 1895.

It was used by royalty until the 1918 revolution, when it became the property of the newly independent Georgian government. After Georgia fell to the Red Army and was absorbed into the Soviet Union, the residence became a resting place for communist elite, according to Saganelidze.

It is believed that Stalin himself stayed at the residence, which was popular with the Soviet leadership; however, the building and grounds have been closed to the public since 2005, when it became the property of the presidential administration.

Today, however, there are plans to restore the residence and grounds to their original, Romanov glory and reopen the

site to tourists and visitors, Saganelidze told *Investor.ge* at the official presentation of the PF's restoration plan.

"During the communist period, communist leaders vacationed here. After the restoration of independence, the complex became a government residence and, in 2005, it was reclassified as a presidential palace," he said.

"Unfortunately, over the course of that period, there were some very serious changes made to the architecture of the palace and the historical buildings, which harmed the original appearance of the site. Based on the new concept, the Romanov Palace will be restored to its authentic form.

The new tourism site will bring significant revenue to the local region, and local residents should take advantage of this opportunity."

HISTORICAL DOCUMENTS FROM ST. PETERSBURG

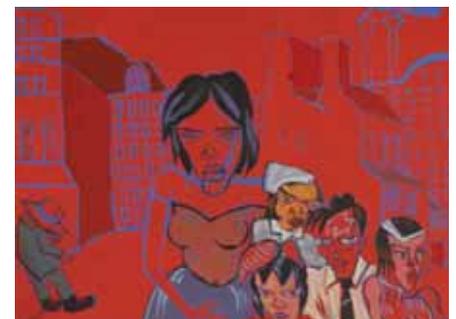
Three companies (ICOMOS Georgian National Committee - ICOMOS Georgia, Ltd., "Architectures.ge" 2 Ltd., and Georgian Heritage) were selected by tender to facilitate the site.

When the work is completed, the Romanov Palace site will also include a museum, visitors' center, and a conference hall. The work is expected to take between two and two and a half years to complete.

The project is based on historical documents about the palace that were found at the Russian Federal Archive in St. Petersburg and sent to Georgia, Saganelidze said. The renovated palace and grounds will be as close to the original as possible. But some artifacts from its history have been lost: when the Georgian government escaped the Red Army in 1921, a reported 61 boxes of books and other artifacts were taken from the palace and shipped to France. Some were returned but others were lost.

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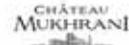
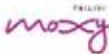
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AmCham Georgia has been to Washington four times to speak with US government officials about the issues that are important to US-Georgia relations

AmCham Georgia: Two Decades as a Voice for Business and a Leader for Change

In 1998, when AmCham Georgia was founded, Georgia was seven years into its reestablished independence.

Eduard Shevardnadze was president, there was no natural gas, electricity was intermittent, and corruption was rampant.

And U.S. Ambassador Ken Yalowitz had a problem.

There was a growing number of U.S. companies investing in Georgia, and he was spending an unsustainable amount of time dealing with the pressure, crime and corruption that were undermining them.

“When I got to Georgia, the corruption was very intense. Things were very, very bad. There were some American companies working in the country but as soon as they became even close to profitable, they were usually beset by either tax authorities or individuals demanding ownership,” he said.

“It was always extremely difficult for them and I spent a fair amount of my time going to the Ministry of Economy, talking to the president, talking to the ministers on behalf of American companies. I really felt that an organized AmCham would be a very powerful addition to what I was trying to do. Having a business organization for American firms would enable them, instead of fighting all these battles individually, to come together and lobby.”

So, the ambassador turned to two prominent members of the nascent American business community, Betsy Haskell and Leigh Durland.

Betsy had already established Betsy’s Hotel and Leigh was in charge of Absolute Bank, one of the first privately owned banks in Georgia.

Betsy recalls the ambassador reach-

ing out to see if she was interested in establishing an AmCham in Georgia.

The situation was bad, she said, with tax officials threatening businesses.

Leigh convinced Amy Denman to push the effort forward and other active businessmen joined as well. Fady Asly can still remember the day Ambassador Yalowitz spoke to him about the Chamber and introduced him to Leigh.

“Initially the idea was to approach the government bilaterally, from the embassy on one side and the Chamber on the other side. The idea was to lobby for the investment climate, to lobby for the companies, to lobby for the international companies operating here,” he said.

Betsy supported the nascent effort by paying the \$385 registration fee out of pocket, and Amy started looking for members.

AN ASPIRATION AND A SALES PITCH

There were no guarantees of success: well-established American and global companies were familiar with AmCham as a private voluntary association, but it was a new or unfamiliar concept for Georgian companies.

“When Leigh approached me, he said ‘I don’t know if this is going to work, but we need someone like you to get behind it and give it a try’ ... It sounded like good fun to me. So I turned down a few other safe, well-paid job offers in the humanitarian aid arena to give it a go,” she said.

The start was inauspicious; there was no office, no staff. Amy started working from her kitchen, driving around Tbilisi in her Niva and selling only an idea of a business association based on American standards and ideals.

“The American companies were first on board to take the risk. We had about 10 members early on that we knew were solid ... I went to them first and would explain that it was their duty as an American company or franchise to and I would go to them and I would say ‘You are an American company or a franchise, it is your duty to become a member of AmCham,’” she said.

“I was selling a product that didn’t exist.”

Within a couple of months, Amy had signed on 10 member companies in addition to the five founding members, and AmCham Georgia had held its first meeting on December 15, 1998: Leigh Durland and Gia Bazghadze, who spoke about challenges in the business environment.

The challenges were intense: corruption, stifling tax rates, extortion and other crimes.

“We were working to improve the business climate, to change the laws that

were detrimental, to curb the corruption because corruption was terrible at that time and, most importantly, to protect our members,” Fady said.

“The AmCham members of that time were the nucleus of what became the international business community in Georgia,” he noted.

Sarah Williamson, who would go on to serve two terms as president and be a member of the board for over a dozen years, became part of the Chamber when the business she co-owns, UGT, joined in 1999.

At the time, she said, there was a real need for a mechanism for the business community to influence the government in a way that would be positive and would help the Georgian economy and society “make the transition to be a Western-leaning society.”

“Georgia for me, and AmCham as part of it, represents things that I never thought I would do or wanted to do... Georgia gave me the opportunity to realize lots of things that I would have never considered before, and AmCham also,” Sarah said.

“Shortly [after I joined] I realized that AmCham was going to have a lot of responsibility in creating the basis for the business environment going forward, and I wanted to be part of it.”

Despite the fact that it was new and relatively small, AmCham was able to make its mark almost immediately. Thanks to the supportive efforts of Ambassador Yalowitz and the U.S. Embassy, the Chamber was taken very seriously even with just 15 members.

Less than a year after it was established, in 1999, AmCham had its first successful lobbying campaign against a draft law in parliament.

While the law – which was an attempt to make joining the Georgian Chamber of Commerce a requirement for all busi-

nesses operating in the country – did not have a major impact on the business climate as a whole, it was a great opportunity for AmCham Georgia to flex its muscles and hone its lobbying skills.

“Our first lobbying effort landed on our plate shortly after our founding, something that we did have good expertise on: the law on chambers of commerce in Georgia... AmCham is a voluntary organization and we are very, very proud of this fact. It is not a requirement that anyone join or register. Companies pay their annual dues and if AmCham does not deliver, the company strikes AmCham from its budget,” the Chamber’s first executive director, Amy Denman, said.

“We met with many lawmakers, embassies and influential NGOs to explain why a private, voluntary organization is preferable over an obligatory/government Chamber... We defeated the draft law through extensive lobbying efforts. One of the benefits of this early effort was that we learned in better detail which Members of Parliament and Government were more ‘western-minded’, i.e. who we might count on in the future to be our change-agent partners.”

That victory helped establish the Chamber as an effective organization that could speak up for business interests, even in a period of lawlessness and corruption in Georgia.

“One important role in our early years was to be very vocal about how deep and how widespread the problems were and to start drawing attention to begin to address them. AmCham wrote about the issues, held press conferences, informed the U.S. and other Embassies of the details. People we met would nod and say ‘we know, we know’ so we would start having meetings and calling for change. I think we were a forerunner in the movement to call for fixing the



Amy Denman, Mariella Cellitti Tefft, former US Ambassador to Georgia John Tefft, Gia Bazghadze

► business climate – no matter how tough the challenge seemed,” Amy said.

The Chamber also provided a platform to disseminate important information – like outreach for AES Telasi during its epic battles to bring in electricity, questions about the early oil pipeline or helping businesses understand what their rights as taxpayers were.

AmCham served as a role model for other NGOs and donor organizations on how to hold the government responsible and accountable, First Vice-President Sarah said. Betsy, one of the founding members of the Chamber, noted that AmCham’s impact during the Shevardnadze government was, in part, psychological – it gave businesses confidence to know that an organization like the Chamber supported them.

“I think the Georgian businesses really loved having this organization to back them up. So in that respect I think it was incredibly useful, it gave them the nerve to carry on,” she said.

A SEAT AT THE TABLE

The real opportunity to improve the business climate happened after the 2003 Rose Revolution. The change of government was like the flip of a switch, Amy said.

Very early on it became clear that the new government was interested in

reform.

Amy led a three-hour meeting with the Board of Directors and then President Mikheil Saakashvili: the new president wanted to know what the business community needed, she said.

“He was wide open to ideas, he wanted to hear what our top ten issues were, how we could grow the economy, how we can create jobs... our list was long but it started with tax,” she said.

The Chamber quickly created a large tax committee, mostly volunteers, who worked for weeks at rewriting the tax code. In the end, most of AmCham’s comments were included in the country’s tax reform.

Soon, AmCham started to be able to “synthesize” problems across different sectors, which helped the Chamber become more effective at tackling the systemic issues that were harming the business climate.

“Things started to get much better once Misha came to power,” Betsy recalled.

“We became much more issue-oriented. There were issues to deal with and there were positions that Misha’s government took that we didn’t agree with, so we started dealing with that, and helping them do the things they wanted to do to make Georgia better.”

Over the years, AmCham has been

able to bring about real change for Georgia, from tax reform and the overhaul of the customs code to e-governance and, eventually, the range of reforms that helped Georgia become the 6th best business climate in the world.

AmCham Georgia First Vice-President Sarah Williamson noted that one of the most powerful instruments AmCham has developed is its committees, in addition to the dedicated, pro-bono work members of the board do for the organization.

“AmCham Georgia is amazing in the fact that you have all of these people, most of the board and the committee chairs doing everything pro-bono, no one is paid, making changes that ... benefit the country, some are long-term, some are short-term – but when you really look over the trajectory of the country, the trajectory of the economy, it is all an upward slope.

“That resource has supplemented the hard work of AmCham Georgia’s executive directors – Amy and the current executive director, George Welton,” she said.

It would be impossible to list every accomplishment AmCham has made over the past 20 years – or even over the past 10 or five years, Sarah noted, adding that it has worked with successive governments, quickly forming working relationships with new administrations and new government leadership, because the Chamber is seen as constructive and non-partisan.

“AmCham is not an organization you are going to see on TV every night making brash statements. We have never worked that way, and we have never seen any other organization work that way and be successful. AmCham can meet anyone in any position at any time because they trust us. That is not because we are cheerleaders of one group or another. We

work for Georgia, because we work for our businesses, and Georgia's success is AmCham's success," Sarah said.

The Chamber tries to work directly with the members of government that can bring about the necessary changes, whether that is a minister or the prime minister, she said.

"I can't say that we have gotten everything that we wanted over the last 20 years, but certainly we have been able to push through a lot of the things that are important for us – or stall things. It is too big to make a list, because it is on a daily basis," Sarah said.

George Welton, the current Executive Director of AmCham, agrees that this approach has allowed the organization to deepen its working relationship with government, even when governments change. This has been helped by institutions like the Investor Council, which AmCham helped to create, which provide a format for discussions on strategic economic issues with the Prime Minister directly every quarter.

"We have a seat at the table, both literally (with the Investor Council) and figuratively, because we work diligently and professionally," George said.

"That makes us fairly unusual. I work

with a group called AmChams in Europe, which covers around 40 countries across the EU, Eastern Europe and the Caucasus. Most of the members of that group would love to have the influence and access that AmCham Georgia has. We are unusual because we have been in this role more or less since the birth of the nation, because of the importance of the US-Georgia relationship to successive governments, and due to our approach to engagement," he said.

A VOICE IN WASHINGTON

Today, AmCham speaks for business interests in Georgia – and for Georgia's potential as an investment and trade partner with the US.

"I follow all the things that the Chamber does ... I am very, very pleased with the way it has developed. I think it has become a real force for voicing the concerns of American business," Ambassador Yalowitz said.

While he is no longer based in Georgia, the ambassador is active in US-Georgian relations, sitting on the board of the Georgian-American Business Council, among other activities.

In Washington, the ambassador said the work of Sarah Williamson and



Vano Nakaidze and Founding Advisor Betsy Haskell

other members of the AmCham board to reach out to US policymakers has been impressive.

"I am very, very pleased with what they are doing, their activism," the ambassador said.

The regular trips to Washington have brought AmCham's work to another level, Amy said.

Knowing that other European AmChams sent regular delegations to D.C., during Sarah's terms as president of AmCham they decided it was time for AmCham Georgia to do the same.

AmChams in Germany, France, Spain and the UK were going to Washington to keep their "countries, economies and the value of doing business" in those countries on the radar, she said.

It was campaign season in Georgia, she recalled, and there was a lot of disinformation about the state of reforms in the country.

"The West did not know what to do with the results of the 2013 presidential election," Sarah noted.

"We decided that we were a very steady and trusted source to be able to go to Washington in this atmosphere of disinformation," Amy said.



Members of the AmCham Georgia Board of Directors and former US Ambassador to Georgia Ian Kelly.

► “We went there to offer them an explanation or answer any questions they might have about what is really happening on the ground with businesses in Georgia. Our goal was not only to lead a ‘ground truth’ mission to D.C. but also to remind them of the longstanding partnership between Georgia and the U.S. as well as the value of U.S. support to Georgia.”

“That started a tradition that I am very proud of,” Sarah said.

AmCham has been to Washington four times, including the 2013 trip. “Every time we go, we get more interest and get to build a little more on the reputation and the relationships that we have already formed. On our last trip, we had around 50 meetings in three days – mostly with Congressmen and Senate staff. When we met with John Bolton a month ago, we knew some of his National Security team from previous trips to D.C.,” George said.

“The influence that we have in Washington also makes the work we here also easier. The fact that we have direct lines to the White House, to the State Department, to the Treasury and all over the Hill, means that when we speak to the government here, it is important for them to listen,” Sarah noted.

A NEW STANDARD

Two decades ago, Georgia was a struggling country, newly independent and riddled with corruption. Over the course of the last 20 years, AmCham Georgia has played a strong role in crafting a business climate that has become a model for developing economies around the world.

“We have always been and continue to be the strongest foreign chamber in the country ... When we bring something up as an issue, we are well listened to. This is due to the fact that when we bring up

[an issue], it has been researched and it has been talked about and it has been put in the kind of language that the government can work with,” Amy said.

“The government knows, the lawmakers know, and the embassies know that if we come to them with something, it is important and something that they need to listen to and should probably work on. That is our biggest legacy: we are trusted. We are a trusted partner of the lawmakers of Georgia and we are a trusted partner of businesses.”

Executive Director George Welton continues, “Part of the reason that the country has been so successful is because it engages widely. This helps the government to shape business-friendly policy and helps avoid some of the negative unintended consequences that can be created when the private sector is not part of the conversation.”

The Chamber is also playing a “balancing role” as Georgia moves forward with the Association Agreement with the EU, which includes the Deep and Free Trade Agreement, and as it continues to work toward a Free Trade Agreement with the US, First Vice-President Sarah noted.

“Georgia is still a developing economy, we are not the US, we are not the EU, and we can’t handle the same regulations, therefore it is necessary to

balance the European Union’s demands for increased regulations with Georgia’s needs to grow its economy. We are a big part of the balancing act, as we desire the Westernization of the business environment, but know that the economy needs to stay nimble. A lot of organizations and government agencies look to us to be the balance there, and I think we are playing that role,” she said.

“I think that AmCham continues to have a big role to play in making sure investors know what they are doing and know where they are and what to expect. The reverse of that is making sure the government knows what we expect, what investors expect. It is a compliment to them that we expect more than we used to and they need to rise to those levels and we need to continue to raise the bar. I think that is always the mission of the Chamber,” Sarah said.

Betsy, one of the founders of AmCham Georgia, noted that thanks to AmCham’s work and reputation, the Chamber has helped create a standard for businesses operating in the country.

“We have made a difference in terms of demonstrating the appropriate way to operate as a business ... we have demonstrated that process and legal remedies work,” she said.

“We have represented the way that Americans do business.”



Former US Ambassador to Georgia John Bass and AmCham Georgia First Vice President Sarah Williamson



AmCham Georgia President Reflects on Chamber's Evolving Role for Business, Country

AMCHAM GEORGIA PRESIDENT MICHAEL COWGILL HAS BEEN IN GEORGIA FOR OVER TWO DECADES. HE REFLECTS ON HIS TEN YEARS AS AN OFFICER ON AMCHAM GEORGIA'S BOARD AND ON THE CHAMBER'S CHANGING ROLE IN THE COUNTRY.

It is fitting that AmCham Georgia's fifth president, Michael Cowgill, is in office the year the Chamber turns 20.

Michael, who was elected as president two years ago, was living and working in Georgia 20 years ago when the Chamber was established.

At the time, Cowgill was working for the Georgian government as then-President Eduard Shevardnadze's energy advisor and Georgia's pipeline advisor.

"I have had the advantage of watching AmCham be born and grow," he said.

What he saw impressed him: an American organization, working to protect business interests and create an ethical and constructive lobbying culture

in the country.

"There are a lot of reasons for its success... every other business association either wants to or tries to emulate AmCham," he said.

Two of its main strengths, according to Cowgill, are the fact that AmCham Georgia has always remained apolitical and the Chamber's unique structure, which provides a strong role for the board of directors.

"When a decision is made by the board or by the other officers, we always know that that decision is backed up by ten other people on the board and that gives a lot of weight," he said,

"Even other AmChams around the world do not have such a good structure

with the board, even in Europe."

AMERICAN BUSINESS CULTURE

Another thing that sets AmCham Georgia apart from other business associations is the fact that it remains true to its American roots.

The idea to start the Chamber came from then U.S. Ambassador to Georgia Ken Yalowitz. Today, twenty years later, AmCham Georgia is still committed to working closely with the U.S. Embassy in Georgia and the U.S. government in Washington.

"We still need to maintain that American flavor and content. That means everything from the numbers of Corporate A versus Corporate B members, it means the relationship with the U.S. Embassy, it means the relationship with people in DC," Michael said.

"Those key things set us apart and it all culminates into constructive criticism [in our relationships]. We are also giving praise and accolades when they are due, but we are not afraid to express ourselves when we need to."

EVOLVING ROLE

Today, after over 13 years as a member and board member of the Chamber, Michael said the Chamber has continued to evolve to meet the needs of the business community, and to protect the doing business standards that America prides itself on.

He noted that most members of the AmCham Georgia Board of Directors have worked in many countries—and have been in Georgia for many years.

That level of international experience, commitment to Georgia and understanding of Georgia's culture is an invaluable asset, Michael said.

"Most of us in AmCham, at least in decision-making roles, or strategic roles, this has not been our only country: I have ▶▶

► done projects in 40 countries. So we have seen a lot and those kinds of things are valuable to understand, especially those of us who live in the culture. We understand pretty much what people think, how they view things. We are able to walk that line and bridge that gap between things that work in other places and the improvements that we see here.”

Twenty years ago, the situation in Georgia was radically different: corruption was rampant and the government was too weak to implement reform. Basic services were hard to come by, let alone the nuanced laws that attract investment and create jobs.

Today Georgia ranks sixth in the world for its business climate, according to the World Bank’s annual Doing Business report. Much of the country’s success has boiled down to the reforms that AmCham Georgia has lobbied for.

“As we progress, and as Georgia progresses more and more, there are fewer things to change. But still we are far from perfect,” Michael said.

“We live in a very difficult region. Anywhere you look, it goes downhill very fast.”

That makes it all the more important for the Chamber to “stay on our toes,” he said.

“We couldn’t look at the U.S. Embassy or the visitors from the U.S, we couldn’t look at them in the face if we were letting things slip back,” Michael said.

He noted that change does not always mean progress: even in Georgia, legislative changes can mean “one step forward and two steps back.”

“We have to make sure that is only one step back and push that back up,” Michael said.

FORMAT FOR COOPERATION

One of the biggest accomplishments

in recent years was the creation of the Investors Council, a format AmCham Georgia helped create that provides a platform for regular meetings between the Georgian government, business associations and key IFIs.

The council was developed in 2015 at the initiative of AmCham Georgia, the Business Association of Georgia and EBRD, and includes the other major business associations in the country.

“I think the greatest thing AmCham has done in recent years is the Investors’ council, that has been fantastic,” Michael said.

“We don’t have to rely on personal relationships to be able to formally speak to the government... it provides the platform. And it provides a platform where, in pre-meetings, we can unite with the other business associations and advise on our message, on the specific things we need, including on upcoming legislation or on other problems that are more systemic.”

Michael noted that prior to the Investors Council, AmCham and the other business associations would often first hear about potentially problematic legislation when the draft laws were already presented to parliament.

“You would find that there was legislation that would be introduced by either ministries or committees, that may not be directly connected to the economy and the business, and no one thought ‘Do these new laws, legislations have any impact on the economic climate?’” he said.

“So this gives a better [platform] — and the government can also reach out to us through this. That means it is not a one way street. It is two-way communication channel. It gives them a little bit of credibility and that is not a bad thing—they can also say that they have discussed things with the business associations through the Investors Council.”

MORE INVESTMENT, MORE REFORM

Looking ahead, Michael said the Chamber will continue to do what it has always done: help attract investment—especially U.S. investment—to Georgia; communicate with the U.S. government about the situation in Georgia; and lobby the Georgian government to improve the business environment for its members and all businesses operating in the country. Today, that means working on judiciary reform and striving for more foreign direct investment, he said. That includes a future free trade agreement with the U.S, which the Chamber has been lobbying for in Washington for many years. “We still expect more and more American companies here,” Michael said. “An American Chamber also has the responsibility to provide both a platform and a lobbying effort and as much protection as we can possible can for these companies. It is not just the American companies, it is the other international businesses—both the Georgian and international companies—that have the same mentality, have the same kind of ethics and attitude and business ethics that we value in the West.”

Over two decades, AmCham Georgia has “created a standard, a standard for doing business, a standard for constructive lobbying, constructive interaction with both the Georgian government and the U.S. government,” he added.

“That has resulted in a standard for doing business and interacting with governments, both the U.S. and Georgia, and that includes providing both feedback and constructive criticism for things that need to be done. That doesn’t mean always in complete favor of the business community or the government... There is the realization that there is a win-win situation, from which everyone can benefit.”



AmCham Georgia Looking Forward: A New Era of Reform

INVESTOR.GE
SPEAKS WITH
AMCHAM GEORGIA
EXECUTIVE DIRECTOR
GEORGE WELTON
ABOUT THE ROLE
OF THE CHAMBER
IN THE BUSINESS
COMMUNITY AND
THE ORGANIZATION'S
PLANS FOR THE
FUTURE.

AmCham Georgia's reputation as a strong business association brought George Welton to the Chamber.

Welton first became executive director when Amy Denman, the Chamber's first executive director, left for maternity leave, in 2011. He took over the position full-time in 2014.

Today, George believes the Chamber is well-positioned to continue fighting for a better business environment and a stronger economy in Georgia.

It is also uniquely placed to help Georgia build on its strong ties with the West, especially the U.S.

STRONG COMMUNITY

"I joined AmCham because as I moved from being an academic to being

involved in the business world, it became increasingly obvious that AmCham was the organization to be involved with, if one wanted to get to know and get known in the Georgian business world," he said.

AmCham was the first international business association to be established in the country, but it is not the only one today.

It stands out, however, due to the Chamber's professionalism and the services it provides to its members.

"I think AmCham stands out in the terms of the seriousness with which it engages on policy issues. It is also extremely sociable, and really helps people stay in contact with one another, and connect with the government and international community at the highest level" he said. ▶▶

- ▶ “Georgians value the network and for foreigners it can be really a crucial tool to stay connected and keep up to date with what is happening in a dynamic environment.”

POLICY WORK

Over the past four years, George has overseen the day-to-day operations of the Chamber during a time of serious reform over a wide array of sectors.

During his watch, Georgia has continued to strengthen ties with the EU, under the Association Agreement; has reformed tax collection and corporation tax with the Estonian model; has reformed the labor code; has changed visa regulations; and has initiated changes in every part of the business environment, from the building code to food safety as well as initiating sector specific changes in tourism, energy, agriculture and much more. The Committees of AmCham continue to be a significant resource in this work. But, in recent years, this has been helped by innovations like the Investors Council and an increasingly strong relationship

with the U.S. Government.

The Investors Council, a platform AmCham Georgia helped create with the support of the EBRD, the government and others in the business community, meets with the Prime Minister and the other economically oriented government ministries once a quarter. This has provided a format to engage with the executive branch on draft laws as well as policy development.

“I think the Investors Council has been incredibly useful in helping us engage with the government as it provides a regular format for strategic discussion at the highest level, as well as resources for more detailed work with ministries day-to-day,” George said.

AmCham also continues to benefit from its close relationship with the U.S. government and U.S. government agencies active in Georgia, like USAID, the Millennium Challenge Corporation, OPIC, the USTA and others.

“This has always been a core part of our identity in Georgia and we are incredibly thankful to the U.S. Government for

their continued support,” he said.

In recent years, AmCham has also started building its relationship with U.S. legislators and government officials in Washington, DC directly.

“I think one big innovation that has become a fundamental part of what we are is the engagement with the U.S. government in America. Taking regular trips to the U.S. has been enormously valuable in terms of giving us a sense of what is going on, in terms of building relationships—and I think, also in terms of highlighting our importance to the Georgian government, which make us more important here too.”

To date, AmCham Georgia has made four trips to Washington, DC over the past several years.

BUILDING A BETTER ECONOMY

Today, Georgia is rightfully praised for the reforms it has implemented and the changes it has made to create an attractive business environment.

George noted, however, that the really difficult work is still ahead.

“The stuff that you can simply fix with legislation has been largely fixed. Now we are at the point when we have to do some of the difficult things and the difficult things are: creating an environment where there is a workforce that is better suited to the growth that we aspire to have; attracting investors who are looking to generate value-adding mid-size businesses; expanding development beyond Tbilisi and into the rest of the country in a way that affects poverty numbers and employment,” he said.

“I think all these things require engagement with business in a much more proactive way than just legislative reform. So, I think having an organization like AmCham, which has the resources, networks and experience to do that work, is more important than ever.”

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Niko Pirosmani in Vienna: A “Bridge” to Georgian Culture

ONE OF THE WORLD’S MOST FAMOUS ART MUSEUMS, ALBERTINA, LOCATED IN VIENNA, HAS BEEN DISPLAYING 29 WORKS OF THE GEORGIAN ARTIST NIKO PIROSMANI SINCE OCTOBER 26. THIS EXHIBITION, WHICH IS RUNNING UNDER THE TITLE “NIKO PIROSMANI. A WANDERER BETWEEN THE WORLDS” WILL BE HELD UNTIL JANUARY 2019. IN VIENNA, ONE OF THE MOST IMPORTANT CULTURAL CAPITALS OF THE WORLD, PIROSMANI’S ART HAS BEEN MAKING A BREAKTHROUGH FOR GEORGIAN ARTISTIC SCENES AS WELL AS FOR THE COUNTRY AS A WHOLE.

TATJANA MONTIK

With its life rich in colors, its unique traditions and its picturesque and unhurried mode of life, Georgia has inspired many local and foreign writers, painters and artists. Alexander Dumas, John Steinbeck, Knut Hamsun, Pyotr Tchaikovsky and many others came here to find new exciting ideas for their creative work.

Nowadays, Georgia and its art continue to be a source of inspiration for many artists. For example, for the current exhibition in the Viennese Albertina Museum, the Japanese architect Tadao Ando has created a long table as a response to Pirosmani’s statement: “Do you know what we need, my brothers? Let us build a big house, a place where we all can come together, somewhere in the city center, accessible for all. Let us buy a table and a samovar. We will drink tea and talk about art . . .”

The Japanese artist, a self-taught talent just like Niko Pirosmani, was inspired

by the Georgian artist’s dream to create a modern version of a table for artists’ gatherings by using Plexiglas and rows and rows of blue roses.

“Albertina has chosen an ideal concept for this exhibition,” says Eka Kiknadze, Head of the Georgian National Gallery, who was present at the opening ceremony of the Pirosmani exhibition. “This concept includes a dialogue between generations of artists of different cultures and nationalities. We can see Niko Pirosmani as a part of international culture. This exhibition, in one of the leading museums of the world, in a perfect location close to the State Opera in Vienna, is important and promising for the popularity of the great man of our country.”

“The idea of the solo Pirosmani exhibition was born after our last exhibition of the Russian avantgarde ‘From Chagall to Malevich’ in 2016,” says Sara Schmidt, press-officer at the Albertina Museum. “Many Russian artists of that time referred to Pirosmani as their guiding star. Unfortunately, at that time we hardly knew anything about this Georgian artist.” This Pirosmani exhibition in Vienna, with 29 masterpieces of the artist seeks to fill that gap.

The preparation for the Pirosmani exhibition in Vienna started two years ago, and it was brought to life with the help of the Infinart Foundation in Vienna and support from the Georgian National Museum and from the Bank of Georgia.

“It was a long and a difficult process to plan such an important and large-scale comprehensive exhibition of the oeuvre of Georgian painter Niko Pirosmani in the Albertina Museum,” a representative of the Bank of Georgia said. “For the Bank of Georgia, as the leading bank in Georgia, it is very important to re-discover such kinds of artists for the whole world and to share Georgian culture by establishing Niko Pirosmani’s place among world class artists like Monet and Picasso.”

Who was this artist, who came from humble origins and created such a unique artistic style that his work can hardly be compared to anybody else’s?

In Georgia, Niko Pirosmani is one of the most-well known painters, and for Pirosmani’s countrymen he even became a symbol of Georgia. He was born into a peasant family in the eastern region of Kakheti and, despite his lack of education, he managed to achieve recognition first among his contemporary young art

colleagues and then, little by little, in the Russian Empire and abroad.

Pirosmani’s art was discovered by Georgian-Polish brothers Kirill and Iliia Zdanevich, both artists themselves who studied in Saint Petersburg. They fell in love with Pirosmani’s style and with his paintings and introduced the artist’s works to the leading Russian artists of that time, who then organized an exhibition for him in Moscow in 1913. This exhibition was a great success. Through these brothers, the fame of Pirosmani reached France. Some art historians even claim that Pirosmani influenced not only the artists of the Russian Avantgarde but also those in the West. Interestingly, Pablo Picasso, who never had seen the artist, pictured Pirosmani in one of his paintings.

Pirosmani’s pictures reveal his lack of any academic education in art. His characters seem to be frozen in the picture; they are often anatomically incorrect, and the objects in his pictures seem to be random. In addition, he often broke the rules of perspective.

He managed to establish his own unique style—a style that remains unique to this day. Even more, Pirosmani brought to life a wider variety of motifs of Georgian life than any other Georgian artist. He painted people of different social groups and professions, historic personalities, animals as well as scenes of daily life with festivities, church holidays, and typical cheerful Georgian razzle-dazzle with lots of food and wine.

“If we tried to find a niche for Pirosmani’s work in the history of the arts, we definitely would fail,” art critic Vato Khoshtaria said.

“However, Pirosmani’s masterpieces have a lot in common with Georgian medieval Orthodox monumental art. Also there, there is a tendency to go from the darkness to the light, which is also typical for Niko Pirosmani. His personages, even if he is painting ordinary people, make an impression of being saints: his janitor, his fisherman, his servants from the taverns and his actresses. The artist makes all of his figures spiritual and somehow elevated, and even his animals look like mystical figures with human eyes and human facial expressions,” he explained.

Khostaria believes that Pirosmani’s strongest gift was his ability to quickly feel his characters and to depict them in only a few easy and succinct smears. This

makes it highly difficult to paint a copy of Pirosmanni's works.

However, in some of his pictures, especially in those of still-lives, Pirosmanni is close to surrealism, Khoshtaria noted. Indeed, Pirosmanni often portrayed life as a dream or as mirage, and in his pictures he often combined day and night. But generally, we should see him as a naive visionary.

Pirosmanni was a vagabond and a free soul. As a child, he dreamed of becoming a locomotive engineer in order to travel around and to see the world. When that dream did not come true, he chose a life where he was free from anyone else's rules.

Pirosmanni's lifestyle was hardly understandable to common people, or to his artist friends, Lado Gudishvili, Iakob Nikoladze, and Dimitri Shevarnadze, who tried to support him. Pirosmanni painted his pictures for food and wine not only on canvas, but also on the walls in taverns and inns, on wood and on tin-plates. He drank excessively. And he died of illness,

alone and poor, in 1918.

Pirosmanni's art was appreciated and well-known in the Soviet Union and in Soviet-bloc countries, and it was exhibited there regularly. In the West, however, that was not the case. During the Cold War only a few large Pirosmanni exhibitions were held outside the Soviet Union: in Paris and Vienna in 1969, in Padua in 1977, in Nice and Marseilles in 1983, and in Tokyo in 1986. A few works of Pirosmanni were also exhibited in Denmark, Japan, Sweden, and in some other countries of the Western world.

Unfortunately, out of the approximately 2,000 works that Pirosmanni created over his lifetime, only around 200 have survived. But only a few of them are in foreign collections, and his work is not widely known among art lovers in the West. A few of his paintings have been sold at Sotheby's auction, however.

At the Albertina Museum, Pirosmanni's work has been gaining popularity.

"The appreciation of this exhibition by the audience is incredibly high! Even the

opening ceremony alone was a huge success! We could also see a big increase of followers from Georgia on our Instagram and Facebook page.

Additionally, before the exhibition, in our media a lot of stories about Pirosmanni's life had appeared. In the first three weeks after the opening of this exhibition we have seen 50,000 visitors interested in Pirosmanni's art," noted the Museum's Sara Schmidt.

At the Albertina Museum, Pirosmanni is celebrated "not only as a famous Georgian artist but also as the greatest autodidactic artist of all time," the Georgian National Gallery's Eka Kiknadze said.

"Niko Pirosmanni is our best ambassador, as in his works all our culture is present in a high concentration—from the archaic art up to the modern art," she said.

"We see Pirosmanni as a bridge from the past into the future. Everyone who is looking at his pictures can easily fall in love. Not only with his art, but also with Georgia as a country."

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AmCham's 20th Anniversary Gala

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*Please apply for the professional advice prior to relying on the information given in this Newsletter.
BLC and its team shall be ready and pleased to provide any information, legal advice and specific recommendations regarding the subject matters covered by this issue of the Newsletter.*

NEW REGULATIONS FOR PLASTIC-FREE ENVIRONMENT

On October 1st the Government of Georgia enacted new technical regulations applicable to production, import and sale of plastic, oxo-biodegradable, biodegradable and compostable bags. With the aim to tackle the negative effects of plastic on the environment, production, import or sale of oxo-biodegradable bags or plastic bags of thickness less than 15 microns was completely banned, whereas from April 1st any plastic bags will be banned. From April 2019 onwards, only biodegradable and compostable packages compliant with EN 13432:2000 standard may be manufactured, imported or sold on the territory of Georgia. Breach of the new regulations is an administrative felony and entails confiscation of prohibited materials, as well as fine of GEL 500 for the first and GEL 1000 - for each subsequent breach. No doubt, this is an extremely positive development for improving country's ecology, however, new regulations will surely increase the costs of production of profound bags which will be ultimately reflected on retail prices.

NEW CORPORATE GOVERNANCE REGULATIONS FOR COMMERCIAL BANKS

On 26 September 2018, the President of the National Bank of Georgia adopted the Corporate Governance Code for Commercial Banks. The purpose of this new piece of regulation is to instill international best practices of good corporate governance in commercial banks, which, on its turn, help to identify and mitigate risks at early stage. New regulations are expected to positively influence efficient operation and stability of banking sector. Among others, the new Code requires that at least 1/3 of the supervisory board is formed with independent members and minimum 20% and at least 1 member to be female. The Code also regulates creation of several committees with the supervisory board, obligations and liabilities of directors, as well as standards related to risk management, internal audit, remunerations, including maximum ratio of variable annual remuneration of the managers, requirements

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related to charter and internal policy documents. The banks are gradually required to ensure compliance with different obligations envisaged under the Code until 31 December 2019. Limitations related to remuneration of the managers shall come into effect from 1 January 2022.

NEW PROSPECTUS REGULATIONS

On 12 October 2018, the National Bank of Georgia adopted new prospectus regulations for public offering of securities. Unlike its predecessor, the new regulations cover not only the public offering of bonds but that of the stocks/shares as well. The new regulations, among others, establish obligation to publish the final prospectus as approved by the NBG on the web-page of the issuer or that of the stock exchange, the NBG or the placement agent before the public offering. The new regulations further establish the details of information that needs to be reflected in the prospectus, including particular reasons for the offering, brief overview of the issuer, terms and conditions of the offering, use of proceeds, risk factors, etc. Unlike previously effective rules, the new regulations allow the issuer to regard certain information as confidential and submit such information separately to the NBG without reflecting it in the prospectus. If, however, the NBG considers that the information must be disclosed to the potential investors for their consideration, the issuer shall reflect this information in the prospectus. The new regulations shall become effective as of 1 January 2019.

GOVERNMENT CRUSADE AGAINST ABUNDANCE OF LOANS CONTINUES

BLC has been closely following the continuous amendments in the legislation addressing overindebtedness among individual borrowers. The Government fight in this direction continues. On 28 September 2018, the National Bank of Georgia approved the rules for registration of lenders and other requirements applicable to the registered lenders, among others, limiting their activities only to issuance of loans, submission of quarterly reports to the National Bank of Georgia, performance of video surveillance of facilities, due arrangement of operational and storage facilities. The regulations on criteria, in which case lenders will be subject to mandatory registration, was introduced in early 2018 in the Organic Law on National Bank of Georgia and implies any person or group of related persons which extend(s) loans/credits to more than 20 individuals (including individual entrepreneurs), excluding other credit institutions already regulated by the NBG. The new regulation comes into effect on 1 December 2019 and requires the lenders to be registered with the NBG within 3 months from the enactment of the regulations. Entities providing loans to their shareholders or employees are exempt from registration obligation. Registration fee amounts to GEL 10 000. Violation of the above regulations shall result in a penalty up to GEL 2000.



AMCHAM ELECTS NEW BOARD



Two new members were elected to the AmCham Board of Directors at the General Assembly, held at Republic on December 3.

U.S. Embassy Deputy Chief of Mission Elizabeth Rood kindly agreed to moderate the formalities. The General Assembly agenda was followed by a

short presentation and Q&A with the U.S. Consular Chief in Georgia Jeannette Rebert who spoke about visa issues and consular services.

AMCHAM MEMBERS MEET PRESIDENTIAL HOPEFULS

AmCham Georgia arranged a series of meetings between members and several of the most prominent candidates running for president.

Members met with United Opposition Candidate Grigol Vashadze on October 11; Davit Bakradze, the candidate from the European Georgia opposition

party on October 16; and Salome Zourabichvili, an independent candidate endorsed by the ruling Georgian Dream party, on October 17.

The first round of the election was held on October 28 and the second round, between Vashadze and Zourabichvili, was held on November 28.

AMCHAM DISCUSSES ELECTION WITH U.S. EMBASSY

AmCham Georgia hosted a members' only luncheon at Tbilisi Marriott with U.S. Embassy Deputy Chief of Mission Elizabeth Rood, Adam Schmidt and John

DiPirro on October 9. Guests discussed upcoming presidential elections. The presentation was followed by a lively Q&A between members and presenters.

AMCHAM MEMBERS MEET ECONOMY MINISTER

AmCham Georgia hosted a members-only luncheon with the Minister of Economy and Sustainable Development of Georgia, Giorgi Kobulia, on October 31. The Minister presented on the ongoing projects and future plans of the Ministry. The presentation was followed by a lively Q&A session between members and the Minister.

CHAMBER MEETS WITH U.S. NATIONAL SECURITY ADVISOR

Members of the AmCham Georgia Board of Directors attended a meeting with U.S. National Security Advisor, Ambassador John Bolton, on October 26 to discuss U.S.-Georgia political, security and commercial relations.

Ambassador Bolton and his counterparts from the Georgian National Security Council, as well as U.S.-Georgia Chargé D'Affaires Elizabeth Rood, met with AmCham President R. Michael Cowgill; AmCham First Vice President Sarah Williamson; AmCham Vice President and Treasurer Irakli Baidashvili; Chris Schleuter, Country Manager for Georgia, BP; Badri Japaridze, Deputy Chairman of the Supervisory Board of TBC Bank; Samson Pkhakadze, President, Wissol Group; Juan-Carlos Escobar, Regional Manager of Caucasus and Moldova of

Phillip Morris International; and Lasha Janelidze, Managing Partner of PwC, Georgia. The group discussed a wide range of issues, particularly highlighting that Georgia is America's strongest and most stable ally in the region and a key U.S. strategic partner. Both sides agreed that continued efforts to expand and deepen the relationship are beneficial.

The political and business environment in Georgia was also discussed. AmCham stressed that while there continues to be challenges, there have been continuous improvements over the last 15 years.

AmCham also underscored the importance of a U.S.-Georgia Free Trade Agreement and highlighted several internationally important projects in Georgia, including the Anaklia Deep Sea Port and the BTC and SCP pipelines.

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KPMG Georgia's New Managing Partner, Kakha Rukhadze

KPMG GEORGIA HAS NAMED KAKHA RUKHADZE AS THE FIRM'S NEWEST MANAGING PARTNER. INVESTOR.GE SPOKE TO HIM ABOUT HIS NEW ROLE AND HIS PLANS FOR KPMG GEORGIA.

Kakha Rukhadze has helped KPMG Georgia grow and develop, from a small office with a handful of staff, to a rapidly growing business with over 100 employees.

Kakha joined KPMG in Georgia in 2007.

"We had just started the practice and I was involved in building this office because, while formally, we established the branch here in 2000-2001, but in practical terms, full operation only started in 2007-2008," he said.

"Since then we have grown tremendously... a great deal of this was due to the effort of my predecessor, Andrew Coxshall."

Over the past 11 years, Kakha has been involved in nearly every aspect of the business.

"I started in the Tax and Legal department; I was the only person there,"

he recalled.

"I started as a tax manager and after that, in two or three years, I was promoted to senior manager. Three years later, I was promoted to become a tax director and three years after that, I became a partner," he said.

His extensive experience at KPMG means that the transition from Coxshall to Kakha has been smooth.

Kakha noted that the Georgian market is full of challenges and opportunities, so he expects more growth for KPMG Georgia in coming years.

"The business environment is challenging, but these challenges create growth—not just from the business perspective, but also for yourself, for your staff and also for the society, which you work for.

"This is the era of reforms for Georgia. There is something new every day and that creates good opportunities for business consulting companies to be part of this process... If you compare with other countries in the region, Georgia has done a great job. There is legitimate growth here. I think there are all the prerequisites for Georgia and for all business consultancies to thrive."

Kakha added that he will continue the KPMG Georgia tradition of valuing the company's strongest asset: its people.

"The main point, which will be continued, is to maintain the best people, the most talented people, which we currently have," he said.

"Another point is to help create new leaders. One of my key responsibilities is to work for our staff and our clients and to be present in the areas that are the most important for society and our clients. By helping to create the best place to work, we will attract and retain the best people who will work to retain public trust in everything that we do, whether it is audit, tax and legal or consulting"



Moxy Hotel Holds Grand Opening

THE MOXY HOTEL, A PART OF MARRIOTT INTERNATIONAL, HELD ITS GRAND OPENING IN TBILISI ON OCTOBER 2. INVESTOR.GE SPOKE TO IRAKLI BAIDASHVILI, THE EXECUTIVE VICE PRESIDENT OF GMT GROUP, WHICH OWNS THE HOTEL, AND CAMERON MCNEILLIE, THE MULTI-PROPERTY GENERAL MANAGER OF THE MARRIOTT HOTEL, COURTYARD BY MARRIOTT AND MOXY HOTEL IN TBILISI.

The Moxy grand opening was held on October 2 to celebrate the outstanding new Moxy Hotel, which is part of Marriott International and one of its 30 brands.

In an e-mail interview with *Investor.ge*, Irakli Baidashvili and Cameron McNeillie explained that the decision to open the hotel was part of the GMT Group's plans to expand its hotels in Tbilisi.

"GMT Group owns the Marriott Hotel, Courtyard by Marriott and now the Moxy, which is a brand that resonates with the millennial traveler, and the concept itself is focused on design while the operation is geared toward fun."

They noted that the Moxy brand is a good fit for Tbilisi, as the number of younger tourists is growing every year.

"The Moxy concept compliments the other two hotels under the banner of Marriott and GMT Group, and having three differing brands offers the customer more choices in terms of service, style and price."

"The Moxy brand sits well within the Tbilisi landscape due to the mix of tourism we have been experiencing over the past few years."

Moxy appeals to the fun at heart, a hotel to base yourself whilst exploring our wonderful city. Moxy captures the imagination and spirit of those young at heart."

The Moxy is located on Saarbruecken Square, on the left bank of the city, just a few steps from the Dry Bridge and the newly renovated pedestrian area on Aghmashenebeli Avenue.

Baidashvili and McNeillie said the decision to build the hotel on the left bank reflect the Moxy brand's ethos.

"A hotel such as Moxy provides tourists a perfect base to explore all parts of the city, including those areas that perhaps they would not normally decide to try. The Moxy brand looks to

encourage the discoverer in guests and to look beyond the 'normal' tourist areas, to find hidden gems that are waiting to be found."

The opening of the Moxy hotel is a reflection of Georgia's tourism boom. Travel related to tourism rose by 22.9 percent year-on-year in the first half of 2018, according to Galt & Taggart.

Baidashvili and McNeillie noted that as the tourism sector continues to develop, Tbilisi – and the rest of Georgia – will face a number of challenges, including providing international-quality services at all levels of the hospitality industry.

"There is no secret that tourism numbers are on the increase, as are the number of hotels, B&Bs, hostels and the Air BnB market, which help provide visitors a lot more choice than ever before, offering various levels of service and price."

"The challenge one faces with such a rapid increase in tourism and facilities is that the service levels may not be at the level expected from the overseas traveler and this issue must be addressed through increased levels of hospitality education and basic service level skills."

In addition, they noted that development has to continue across sectors to support Tbilisi's potential as a top tourism destination.

"Tbilisi is an ever changing landscape, and due to the influx of tourism, we need to ensure we have an infrastructure that can compete on an international stage in order that we continue this trend for many years to come."

Services such as taxis, accommodation standards, service levels, city pollution, all should be addressed in order to succeed.

A city-wide benefit would be to have a large conference/exhibition center to attract overseas large-scale conferences that all would benefit from."



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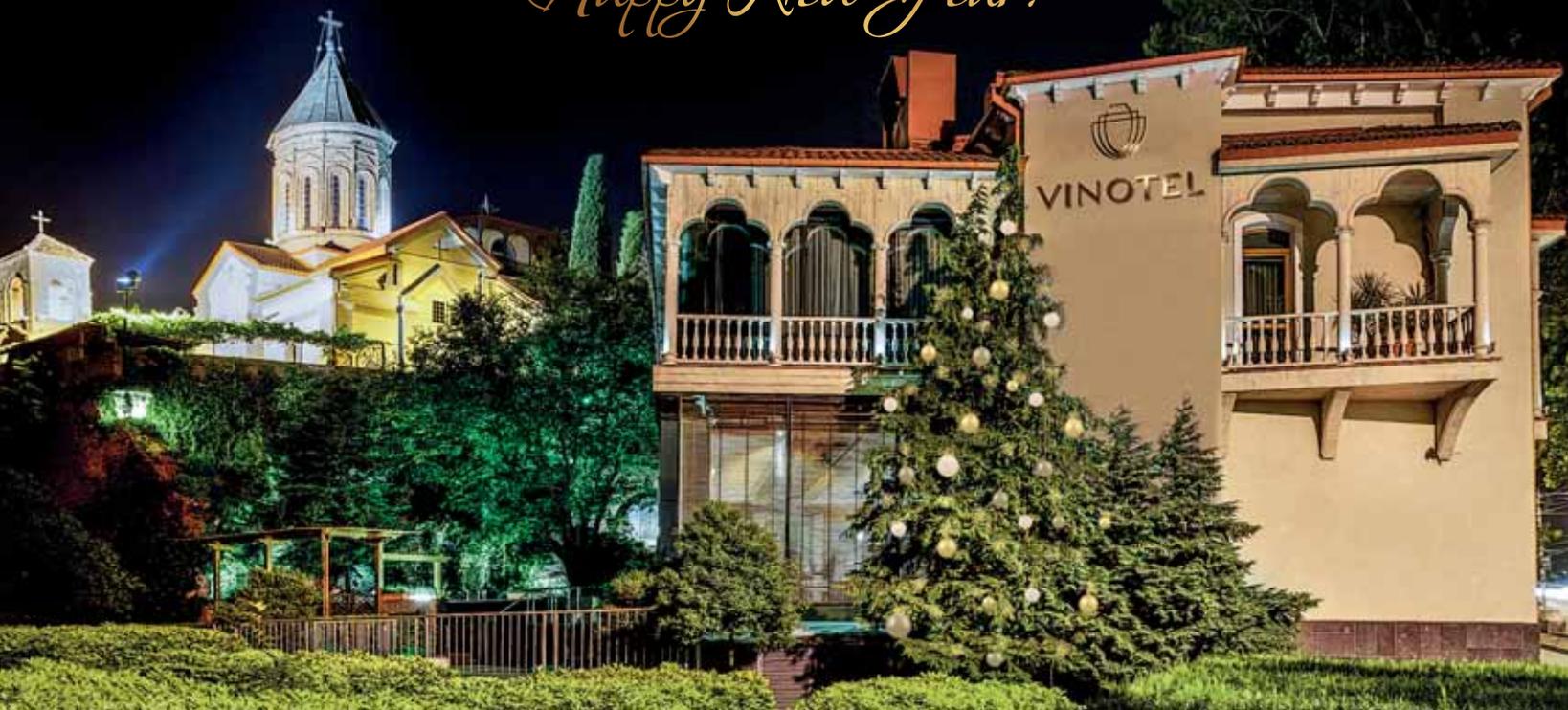
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AMCHAM HOSTED A 20 YEAR ANNIVERSARY GALA FOR MORE THAN 300 GUESTS AT FUNICULAR COMPLEX. IN ADDITION TO AMCHAM MEMBERSHIP, GUESTS INCLUDED GEORGIAN PRIME MINISTER MAMUKA BAKHTADZE, MINISTER OF ECONOMY AND SUSTAINABLE DEVELOPMENT GIORGI KOBULIA, U.S. EMBASSY CHARGES D'AFFAIRES ROSS WILSON AS WELL AS MANY OTHER VIPS, MEMBERS OF THE DIPLOMATIC COMMUNITY AND DISTINGUISHED GUESTS.

THE GUESTS ENJOYED A NIGHT OF LIVE MUSIC, REMINISCENCES AND REFLECTIONS ON THE EXPERIENCES OF THE LAST 20 YEARS, AND THE GREAT CHANGES THAT HAVE TAKEN PLACE IN AMCHAM AND IN GEORGIA OVER THAT TIME. THE NIGHT WAS COMPLETED WITH A CHARITY RAFFLE IN AID OF AMERICAN FRIENDS OF GEORGIA AND THE MCLAIN ASSOCIATION FOR CHILDREN (MAC), TWO CHARITIES THAT WORK WITH DISADVANTAGED COMMUNITIES, PARTICULARLY YOUNG PEOPLE.







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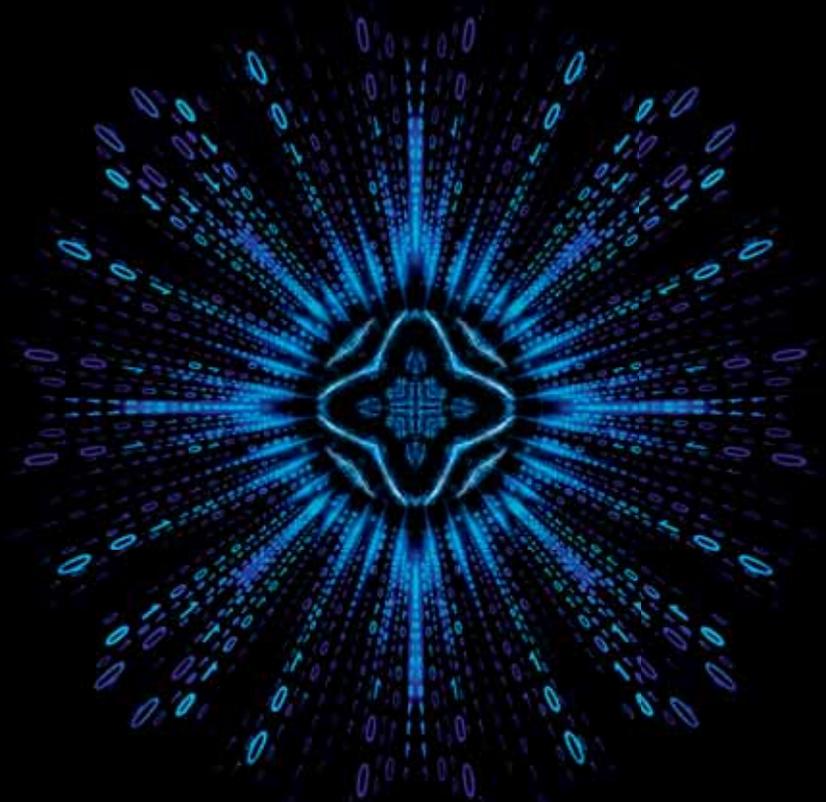
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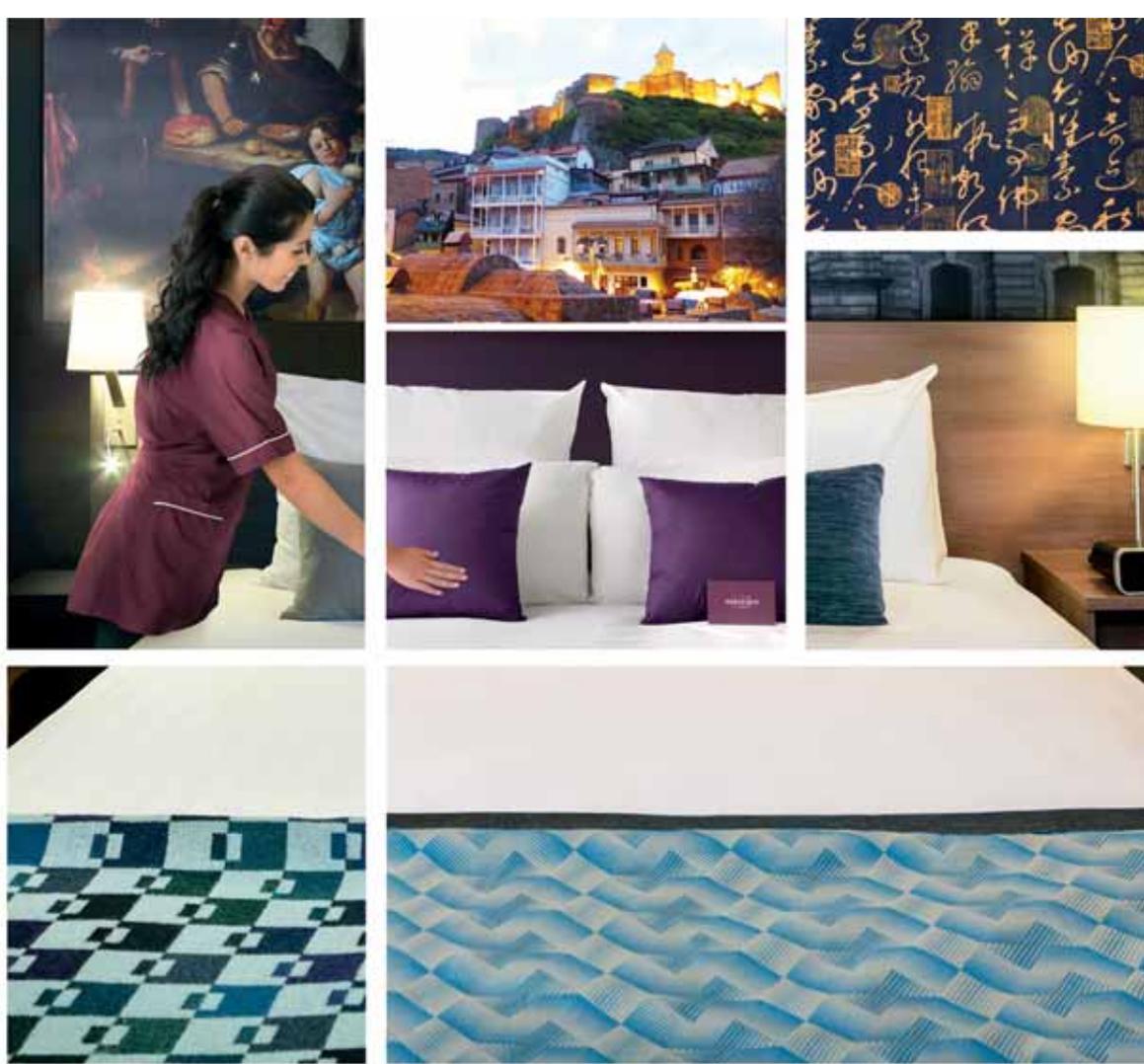
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