GEORGIA BETS BIG ON CRYPTO – BUT HOW IS IT PLAYING ITS CARDS?

CIRCULAR MIGRATION: FUELING PROFESSIONAL DEVELOPMENT, ADDRESSING UNEMPLOYMENT IN GEORGIA

THE RISE OF GEORGIA'S ONLINE HIGH STREET

Investor.ge

AMCHAM A Magazine Of The American Chamber Of Commerce In Georgia

ISSUE 70 OCT.-NOV. 2019

If you build it, they will come – back.

Repopulating Georgia's mountains

m² უძრავი ქონება
REAL ESTATE

m² PRESENTS A NEW
NEIGHBORHOOD IN TBILISI

SABURTALO
YOUR HOME-MORE THAN A HOUSE

PARK AND GREEN
AREAS

CO-WORKING
SPACE

CHILDREN'S
ENTERTAINMENT
SPACE

BALLROOM

TURN-KEY
APARTMENT
from 28.76 m²

AN APARTMENT THAT COMES WITH A NEIGHBORHOOD

2 444 111 www.m3.ge

QUALITY MAKES ~~A~~ THE DIFFERENCE

The unparalleled and uncompromised quality of our legal work is what has made the difference to our clients in their day-to-day operations in the past quarter century

Gvinadze & Partners
QUALITY MAKES DIFFERENCE

Gvinadze & Partners LLC
44 Kote Abkhazi Street, Tbilisi 0105 Georgia
T + 995 322 438 970 / + 995 322 438 971
E info@gvinadzeandpartners.ge
W www.gvinadzeandpartners.ge

CONTENT

12

16

24

39

6 Investment News
Investor.ge provides a brief update on investments and changes in government policy that could impact the business environment.

12 The Russian flight ban – more bark than bite
The flight ban did some damage, but the data show the extent has been limited and tourism overall is growing

15 AmCham Georgia's Support for Nonstop US-Georgia Flights

16 Georgia bets big on crypto – but how well is it playing its cards?
Georgia has become an unlikely pioneer of cryptotechnologies. What's on the horizon?

22 UK's Big Idea Challenge sparks fresh burst of youth entrepreneurship
A look at this year's innovative business ventures

24 If you build it, they will come – back. Repopulating Georgia's mountains
How the government's strategy to develop mountainous settlements is working to bring people back home

27 Delicious, nutritious and local – helping small producers access the Georgian market
Small producers have much to offer, but need help in getting their products onto store shelves and in front of the eye of the consumer

30 Circular migration: fueling professional development, addressing unemployment in Georgia
The European labor market is attractive to Georgians, but Europe is wary of mass migration. Could circular migration be the answer?

34 The rise of Georgia's online High Street
Georgia's retail scene has changed dramatically in recent years – now it's changing again as it moves online

AMCHAM NEWS 38

UGT

MAKE YOUR BUILDING SMART

WE PROVIDE ELECTRICAL, IT AND BUILDING MANAGEMENT SYSTEMS IN COMPLIANCE WITH EU STANDARDS

SMART HOUSE

Remotely Controlling Your Homes Electro Mechanical Systems with Mobile Devices

IT TECHNOLOGIES

Servers, Data Storage Systems, Network and IP Phones

SECURITY SYSTEMS

IT Security, Access Control and Alarm Systems

ELECTRICAL SYSTEMS

Lighting, Cable Systems, Switchboards, Infrastructure, Power Supply and Grounding Systems

ENERGY EFFICIENT SOLUTIONS

Green Energy (Solar Panels, Wind Turbines), Diesel Generators, Transformers and UPS

BUILDING MANAGEMENT SYSTEMS

HVAC, CCTV, Fire Detection, Sound, Electrical and Smart Systems

HOTEL INVENTORY

E-locks, TVs, Safes and Mini Bars

www.ugt.ge | 17e Chavchavadze ave. 0179 Tbilisi, Georgia | +995 (32) 2 22 05 05 | ugt@ugt.ge

Hewlett Packard Enterprise · legrand · Honeywell · EL.MO. · ViVALDi · BOSCH · ABB · AVAYA · LG · eelectron

INVESTMENT NEWS

INVESTOR.GE PROVIDES A BRIEF UPDATE ON INVESTMENTS AND CHANGES IN GOVERNMENT POLICY THAT COULD IMPACT THE BUSINESS ENVIRONMENT.

GEORGIAN EXPORTS UP 12% IN JANUARY-AUGUST 2019

Exports were up 12.4 percent to $2.4 billion while imports decreased 4.4 percent to $5.7 billion – resulting in a trade deficit of $3.3 billion, or 40.6 percent of all trade turnover.

GEORGIA LAUNCHES TALKS ON US-GEORGIA DIRECT FLIGHTS

Georgian Minister of Economy Natia Turnava visited the US with an official delegation in mid-September to discuss the possibility of launching direct US-Georgia flights. Turnava and her delegation met with Delta and United Airlines.

GEORGIAN GDP GROWTH AT 5.8% IN AUGUST 2019

Georgial real GDP growth reached 5.8% in August 2019 in comparison to the same period last year. Particular growth was registered in construction, transport, trade, manufacturing and hosptaility.

TOP TRADING PARTNERS IN AUGUST 2019 – TURKEY, RUSSIA AND AZERBAIJAN

Georgia's top three trading partners in January-August 2019 were Turkey ($1.14 billion), Russia ($903.9 million) and Azerbaijan ($682.5 million), Geostat reported in mid-September. Trade turnover with the EU decreased by 3.7 percent to $2 billion, while trade with the countries of the Commonwealth of Independent States (CIS) decreased 0.3 percent to $2.77 billion.

GEORGIA BRINGS IN $187 MILLION IN FDIS IN Q2 2019

FDIs were down 53.7% in Q2 of 2019 to $187 million. Energy ($63.7 million), manufacturing ($38.4 million) and hotels and restaurants ($28.1 million) accounted for the major economic sectors of investment. The top three investing countries were the Netherlands (31.1%), Turkey (19.2%) and the United States (14.7%).

GEORGIAN WINE AGENCY PLANS TO SPEND 9 MILLION GEL ON ADVERTISING IN 2020

The Georgian National Wine Agency says that it will spend about 9 million GEL ($3.04 million) on advertising and marketing events in 2020. This is a 1.5 million GEL increase in comparison to former budgets. The Chairman of the National Wine Agency Levan Mekhuzia says that more emphasis will likely be placed on northern European countries and Germany.

US ALLOCATING $1.2 MILLION IN AID FOR TWO CRITICAL HUMANITARIAN PROJECTS

The US government intends to allocate $1.2 million in funds to support two new projects. $500,000 will go towards supporting small business owners ▸▸

For the second year running, TBC Bank have received Commerzbank's Trade Finance Award for
EXCELLENT PARTNERSHIP
2018
TBC
COMMERZBANK

in villages near the occupation line in Georgia, while $700,000 will go towards the construction of a children's cancer treatment center in Tbilisi. The funds will be distributed through the Georgian Partnership Fund and USAID Georgia.

PM GAKHARIA ANNOUNCES HIKES IN PENSIONS, STATE SALARIES FOR 2020

Pensions are set to rise by 50 GEL by July 1, 2020 while teachers' salaries will increase by 300 GEL ($101) for the 2020 school year, PM Gakharia announced in late August.

Law enforcement officers and soldiers are also set to receive an increase of at least 125 GEL ($41) in the coming year.

Meanwhile village doctors will receive an extra 100 GEl ($33) on top of their current salaries.

Kindergarten teachers can expect an additional 100 GEL as well.

RAW TOBACCO IMPORTS FACING TAXATION

The Georgian government is considering placing taxes on the import of raw tobacco. Head of the Tobacco Control Alliance Giorgi Bakhturidze said in mid-September that the consumption of hand-rolled tobacco products has increased up to 23 percent in recent months since the imposition of higher taxes on cigarettes, which have grown almost five times since 2013.

ANNUAL PRIVATISATION GOALS ALREADY SURPASSED

Economy Minister Natia Turnava noted at the end of September that this year's target for income received from privatization was 60 million ($20 mln), but that this target had already been surpassed and reached 73 million ($24 million).

She said she expects this number to reach 100 million ($33 million) by the end of the year.

TRANSPORT, REAL ESTATE AND HOSPITALITY LEAD GROWTH IN Q2 2019

The Georgian GDP grew 4.5% in Q2 of 2019, amounting to 11.03 billion GEL ($3.72 billion). Transport (17.9%), real estate (16.9%) and the hospitality business (14.1%) experienced the largest growth in the period, followed by utilities

(11.5%), communications (10.8%) and healthcare and social work (9.3%). The largest shares of GDP by activity were as follows: trade (16.8%), industry (16.4%), transport (10.9%), construction (8.8%) and agriculture, hunting and forestry (8.4%).

MONEY TRANSFERS TO GEORGIA SURGE 7.8% IN AUGUST 2019

$146.4 million was transferred to Georgia in August 2019 – a 7.8 percent increase in comparison to the same figure for August 2018.

Almost 40 percent of the money transfers were sent from EU states, the equivalent of $55.89 million or 38.17 percent of all transfers.

$90.53 million was sent from other countries, accounting for the remaining 61.83 percent.

18 countries were responsible for 94 percent of all money transfers sent to Georgia, with Russia (24.22%), Italy (14.05%), the USA (10.33%), Greece (10.06%), Israel (9.57%) and Turkey (5.41%) being the top six sending countries.

More than $19 million was transferred to foreign countries in August 2019, 0.5% more than the same figure in August 2018.

AVERAGE SALARY IN Q2 2019: 1,179 GEL ($389.5)

Average monthly earnings were up 76.3 GEL ($25.8) in Q2 of 2019 in comparison to the same period last year, amounting to an average of 1,179 GEL ($389.5).

Men continued to earn considerably more than women, making on average 1,419 GEL ($479), while women's average salaries hovered below 1000, at 913 GEL ($479).

Growth in women's earnings were also slower to rise in Q2 than were men's – rising just 69 GEL ($23) in comparison to men's 85.9 GEL ($29).

The highest salaries were to be had in the finance and insurance sector with 2,393 GEL ($808), scientific and technical professions – 1900 GEL ($641) and IT and communications – 1,806 GEL ($610).

GEORGIAN MINFIN STARTS TALKS ON TBILISI URBAN RAILWAY PROJECT

The Georgian Ministry of Finance intends to start negotiations with the European Bank for Reconstruction and Development and the European Investment Bank to look at launching the Tbilisi urban railway project, which would link Tbilisi with the large Georgian city of Rustavi and other suburbs.

The new railway would also connect to Tbilisi International Airport and Lilo Market, and would connect passengers at Samgori Metro Station.

The project cost is estimated at $200 million.

RYANAIR ENTERS GEORGIAN MARKET, WIZZAIR EXPANDS FLIGHT OFFERS

Ryanair has announced it intends to begin flights from Georgia, with a route from Tbilisi to Milan Bergamo and two routes from Kutaisi to Bologna and Marseille.

The flights will begin in November. Later, a flight route will connect Tbilisi in Cologne starting in April 2020.

Ryanair expects to serve 170,000 customers annually with these flight options and create 100 'on-site' jobs in the country.

Meanwhile, lowcoster Wizz Air intends to add routes to Cologne and Bologna as well, and has increased flight frequency to Milan to four times a week.

GEORGIAN NATIONAL BANK SELLS $40 MLN TO COUNTER DEPRECIATION

The Natinoal Bank of Georgia sold $40 million at auction on September 27 to counter the depreciatian of the lari. Several days earlier on September 25, the NBG increased the refinancing rate to 7.5 per cent - up .5 percentage points.

BDO

BDO AND TRANSFER PRICING

Be certain that your transfer pricing is compliant and efficient

OUR TAX SERVICES:

- Transfer pricing
- Tax Advisory
- Tax Effective Value Chain Management
- Tax Compliance
- Tax Dispute Resolutions
- International Tax

KETEVAN ABUSERIDZE
PARTNER, TAX

"Globalisation of business models and increasing tax authority focus has elevated transfer pricing to a mainstream priority for all companies operating internationally.
BDO's professional team provides transfer pricing support to our clients wherever their business takes them".

www.bdo.ge

Taking Mediation to the Next Level: The Law of Georgia on Commercial Mediation Has Been Launched

September 17, 2019 has been marked as one of the most important dates after signing the United Nations (UN) Convention on Mediation (Singapore Convention on Mediation) in the process of fostering Alternative Dispute Resolution (ADR) mechanisms in Georgia. On the third hearing, a long-awaited approval on the amendments in mediation has been passed by the Parliament of Georgia. Accordingly, as of today, Georgia has its Law on Commercial Mediation that promulgates quick and effective dispute settlement mechanism based on mutual understanding and is a signatory of the UN Convention that ensures a unified international legal framework for enforcing and executing commercial and trade-related disputes and settlements through mediation. These developments are milestones on the path to perceiving Georgia as an arbitration and mediation hub. Anticipated as a step forward, this particular article from 'Nodia, Urumashvili and Partners' aims to deliver a quick overview of the new law and its impact on the society.

Mediation as a profession and a tool for conflict resolution that is now gaining momentum. Due to its essence, effectiveness and simplicity, the demand on mediation services on the global market has started to increase rapidly. However, Georgian consumers are less inclined to choosing mediation over other means of dispute resolution. This tendency was an indicator that the Georgian society needed legal assurance, enforceability and guarantees to build a trust in the mediation advantages. In order to ensure the evenhandedness to all consumers, the law sets out some general principles, rules for initiation, conduct and completion of mediation as well as instructions for organizing and operating mediators' professional unions, their duties and obligations in the mediation process. It is strongly believed that the basic approach provided by the law will incentivize parties to reach a favorable agreement in an amicable way through mediation.

Further developments in the law refers to mediation ethics that strives to standardize moral principles of the chief actors in mediation. As the process is fully custom-made, ethical dilemmas connected to the conflict of interests, impartiality, self-determination, etc. are all a part of mediation. Although the provisions on mediation ethics and disciplinary responsibility are regarded as a positive evolution, the supplementary improvements are yet to come.

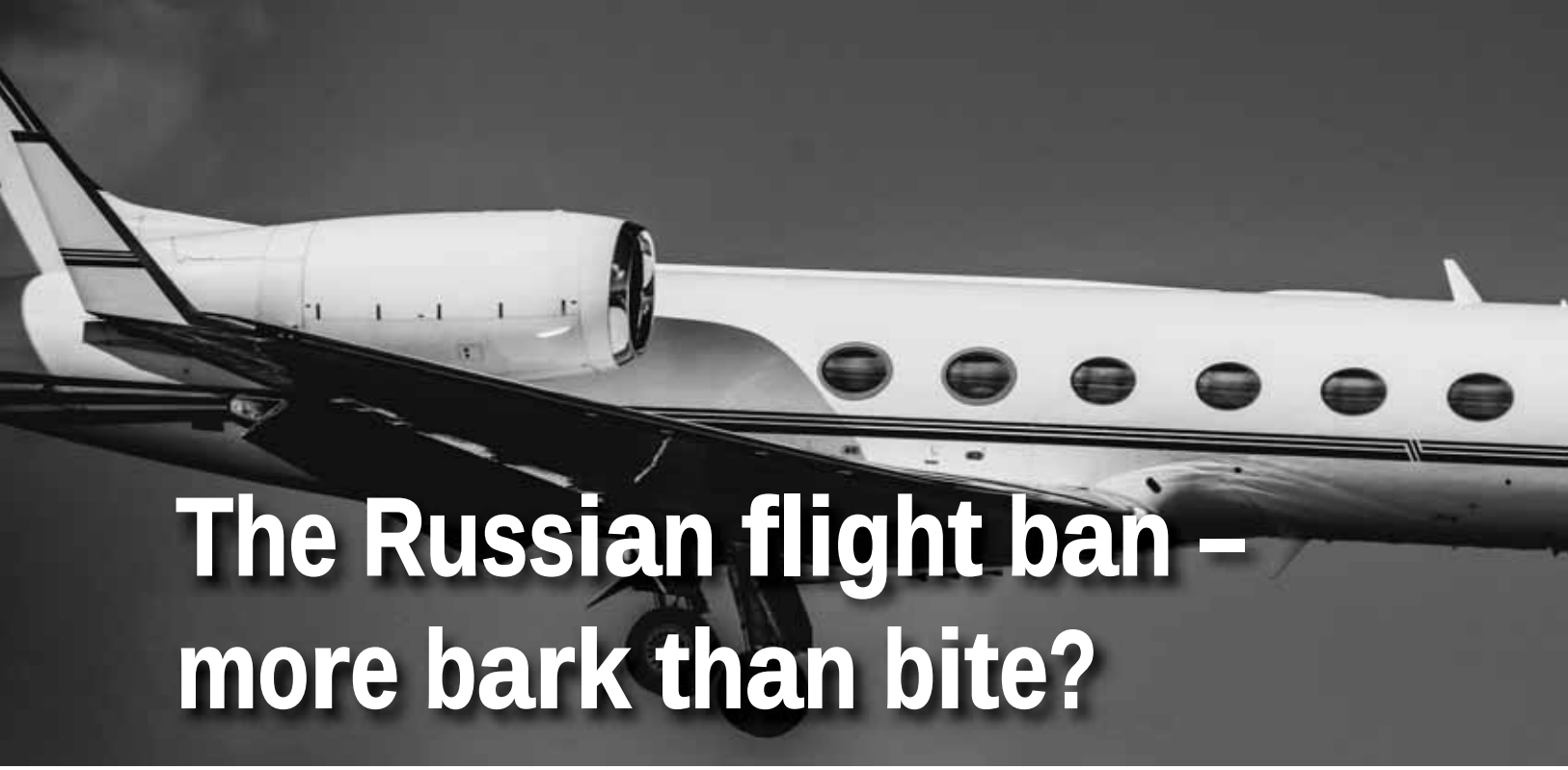
Most importantly, the law establishes a self-regulatory body of mediators that will create a solid institutional basis for fostering mediation practice. By determining mandatory requirements for the candidates on the position of a mediator, the law secures the fully-fledged practice development free from incompetency and ineligibility.

The package of amendments is also envisaged for the Civil Procedure Code of Georgia. Subsequent to this change, if parties refuse mediation and reach agreement on a dispute, a judge may identify the reasons for refusal and start promoting mediation by explaining the legal consequences, its benefits and enforcement mechanisms. Furthermore, the list of disputes are expanded. From now on, labor disputes, loans by banks, micro-finance institutions and non-bank lending institutions, including electronic loan disputes, contractual disputes as well as property disputes are subject to mediation.

Lasha Nodia,
Managing Partner

Office 28, Floor 4, Block 4, 71 Vazha-Pshavela Ave.
Tbilisi, 0186, Georgia

Phone: +995 32 2 207 407
info@nplaw.ge



The Russian flight ban – more bark than bite?

THE RUSSIAN FLIGHT BAN HAS HURT THE GEORGIAN ECONOMY TO AN EXTENT, BUT THE DATA SHOW THE DAMAGE HAS BEEN LIMITED, AND THAT THE PUSH OF RECENT YEARS TO DIVERSIFY THE TOURISM MARKET IN GEORGIA AWAY FROM RUSSIA AND TOWARDS UPPER-INCOME COUNTRIES HAS PARTIALLY MADE UP FOR THIS YEAR'S SET BACK.

ERNIE PIPER IV

Russian President Vladimir Putin's flight ban on all direct flights to and from Georgia sent the Georgian economy into a panic back in July. However, looking back at the figures from this summer, the losses have been considerably less than anticipated, and the ban's bark has been worse than its bite.

.

UNDERSTANDING THE BAN

The ban prevented direct flights between Georgian and Russian airports. Russian tour companies also received a directive prohibiting them from selling package tours to Georgia.

However, the ban did not prohibit travel in general – the land border was not closed between the two nations and Russians can still fly to Georgia via a third country.

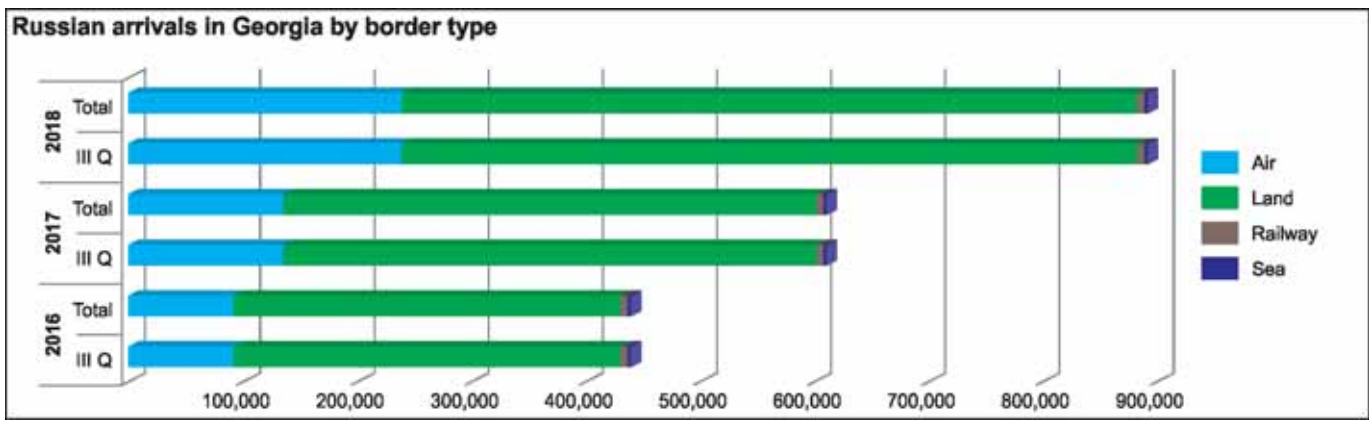
WHAT DO THE NUMBERS SHOW?

Data from TBC Research shows that the ban's worst moments were brief: arrivals were down 21% in week 2 of July, but pressure let up by week 4, when arrivals were down just 6.8%.

Overall, the total picture in July was nowhere near the predicted catastrophe: the total number of Russian citizens entering Georgia in July decreased just 11.5% (25,238 visitors), coming out to 196,159 visitors in July 2019.

Not only that: the total number of tourists coming into Georgia in the month of July 2019 actually increased 1%, to 570,482 in July 2019.

In August, the news was even better: TBC Research data shows a continuing



Data supplied by GNTA

Breakdown of travelers from Russia

	Week 1 July-2018	Week 1 July-2019	YoY	Week 2 July-2018	Week 2 July-2019	YoY	Week 3 July-2018	Week 3 July-2019	YoY	Week 4 July-2018	Week 4 July-2019	YoY
Total travelers from Russia	**52,144**	**50,030**	**-4.1%**	**52,720**	**41,423**	**-21.4%**	**58,960**	**51,024**	**-13.5%**	**57,573**	**53,682**	**-6.8%**
of which:												
by plane	13,742	12,245	-10.9%	13,533	2,898	-78.6%	13,647	3,292	-75.9%	13,780	3,475	-74.8%
Tbilisi Airport	9,484	8,234	-13.2%	9,353	2,320	-75.2%	9,172	2,517	-72.6%	9,398	2,623	-72.1%
Batumi Airport	3,882	3,504	-9.7%	3,774	449	-88.1%	4,048	635	-84.3%	4,013	675	-83.2%
Kutaisi Airport	376	507	34.8%	406	129	68.2%	427	140	-67.2%	369	177	-52.0%
by land	38,287	37,671	-1.6%	39,061	38,350	-1.7%	45,177	47,526	5.3%	43,623	50,062	14.8%
Russia border	27,047	24,958	-7.7%	26,001	24,544	-5.6%	31,116	30,714	-1.3%	27,021	31,151	15.3%
Armenia border	5,818	7,095	21.9%	6,950	8,068	16.1%	7,805	9,801	25.6%	9,326	11,625	24.7%
Azerbaijan border	2,998	3,183	6.2%	3,385	2,887	-14.7%	3,507	3,629	3.5%	3,910	3,974	1.6%
Turkey border	2,424	2,435	0.5%	2,725	2,851	4.6%	2,749	3,382	23.0%	3,366	3,312	-1.6%
by sea	115	114	-0.9%	126	175	38.9%	136	206	51.5%	170	145	-14.7%

Data supplied by TBC Research

upward trend in recovery, with international arrivals up 7.4% between August 5 - September 1.

Moreover, TBC Bank predictions are optimistic: the tourism sector is set to grow over the next 12 months by 5%

MITIGATING FACTORS

One of the major factors not considered in the initial frenzy concerning the ban is the fact that the majority of Russian travellers to Georgia do not enter the country by plane in the first place.

According to data published by the Georgian National Tourism Administration, almost 65% of Russian travellers crossed the Georgian border by land in the third quarter of 2018, accounting for 640,900 visits.

Though the number of Russian citizens arriving in Georgia by air has shot up in recent years, bounding from 91,118 in the third quarter of 2016 to 135,416 arrivals in the same period in 2017, that figure still lagged significantly behind land arrivals in Q3 2018, coming in at 237,895.

This remained true in the early summer of 2019 as well, before the ban came into effect: of the 50,030 that came into Georgia in the first week of July, just 12,245 came in by plane.

Another mitigating circumstance was that the use of land routes by Russian passport holders from Russia and Armenia into Georgia also soared.

Interestingly, in the first few weeks of July, crossings at Russian-Georgian land borders took a hit. However by the end of July arrivals bounded up 15.3%..

Russian arrivals via the Armenian land border were up a steady 20% throughout the month.

As for the factual increase in inbound tourism, this can in part be explained by the influx of tourists from other markets – the number of travellers from the EU increased by on average 25% in the month of August, hitting a high of a 31% increase in the last week of the month.

.

RESPONSES TO THE FLIGHT BAN

Perhaps some of the anticipated damage was mitigated by the swift and impressive reactions of both the public, the private sector and the government.

For its part, the American Chamber of Commerce in Georgia reacted even before the ban came into effect. AmCham was intensively involved in discussions with its members and the government about strategies to combat the challenges the ban would create.

As AmCham Executive Director George Welton said, “We involved ourselves in the response to the flight ban in a few ways.

“At the suggestion of members, we produced a letter that was distributed to the members, embassies and ministries ▸▸

ADVERTISEMENT

www.ilf.com

ILF Consulting Engineers Georgia LLC
20, Ushangi Chkheidze Street
0102 Tbilisi, Georgia

Phone +995 (57) 777 60 13
E-Mail info.tbilisi@ilf.com

ILF Consulting Engineers Austria GmbH
20, Ushangi Chkheidze Street
0102 Tbilisi, Georgia

Phone +995 (57) 777 60 13
E-Mail info.tbilisi@ilf.com

ILF CONSULTING ENGINEERS

and that was shared on social media, explaining that Georgia remains a safe destination. Then we collected information about member deals and promoted them, using both local and international AmCham networks. Finally, we worked with GNTA to identify sources of finance for short-term support regarding market-diversification. Since then AmCham has continued to work with the GNTA and the Ministry of Economy on tourism, most recently, supporting efforts to attract a direct flight to Georgia from the United States."

Meanwhile, the Georgian government allocated 600,000 euros ($664,000) in subsidies to Russian travelers flying to the airports of Tbilisi and Batumi from Russia via Yerevan, reducing fares and giving incentment to travelers of up to 90 euros off flights. In tandem, the Armenian government offered Yerevan as a transfer point, through which one Georgian and three Armenian airlines began scheduling Georgia-Russia connections.

The success of this gesture can be seen in the data: Yerevan's Zvartnots International had seen consistent growth in total passenger traffic of 11% YoY until July when the flight ban took effect: growth jumped to 18% YoY. In July 2018, the airport had 300,674 passengers, while this July it had 356,934.

The Georgia National Tourism Administration launched a media campaign to promote Georgia, and organized 50 press and info tours, hosting around 320 media representatives and tour operators.

Economy Minister Natia Turnava at the time said the aim was "to prepare articles about the country, its tourism potential and promote Georgia as a unique and safe destination in the world."

The GNTA also partnered with larger media companies like CNN to advertise the country's potential, which launched a tourism portal on its website with information about Georgia's culture, history and travel destinations.

Then-Prime Minister Bakhtadze announced two programmes on August 16.

"We understand that the tourism industry needs the most support right now… we have created two programmes to support small and medium enterprises operating in the field of tourism. One programme concerns supporting the construction of hotels… the second programme will supply co-financing for loans," he said.

However, perhaps the most inspiring response has come from the public. Despite having no experience in the tourism industry, five young women created the Facebook group (and corresponding Instagram hashtag) Spend Your Summer in Georgia, which managed to attract more than 200,000 members in a matter of weeks. The group gives tour companies and travelers the chance to connect, ask questions and share travel stories and photos.

"We expected some response but not such an impact. It was really awesome to see that lots of people were added to the group in a short time," said Nino Noghashvili, the creator of the group.

Noghashvili says the five group admins all have full-time jobs and manage the group in their spare time, promoting tourism through direct and indirect strategies. "We cooperate with different companies, which offer various exclusive services and discounts for the group," she said.

The effect on domestic tourism has been positive as well, Noghashvili noted. "I've heard a number of stories of Georgians deciding to travel in Georgia this summer, instead of going abroad. I even heard one Georgian couple canceled their honeymoon in Greece, and had it in Georgia."

Noghashvili plans to continue the initiative year-round, and in September changed the group's name to Spend 4 Seasons in Georgia.

Though it remains uncertain how long the flight ban will be in place – though Russian FM Sergey Lavrov said on September 26 that he is in favor of removing the flight ban – it is clear Georgia remains a favorite destination for Russian holidaymakers, and will continue to attract them into the future.

And the long-term outlook is promising: international visitors from just seven years ago rose from 4,428,211 in 2012 to 8,326,252 in 2018.

One would be hard-pressed to find another country that that attracted so many guests in such a short period of time.

AMERICAN CHAMBER OF COMMERCE IN GEORGIA

AmCham Georgia's Support for Nonstop US-Georgia Flights

LAUNCHING DIRECT FLIGHTS TO AND FROM THE UNITED STATES HAS LONG BEEN A TOPIC OF DISCUSSION AND INTEREST IN GEORGIAN FINANCIAL AND POLITICAL CIRCLES. THE BIGGEST MOVE TO DATE CAME ON SEPTEMBER 10, WHEN A DELEGATION HEADED BY GEORGIAN ECONOMY MINISTER NATIA TURNAVA BEGAN TALKS WITH TWO LEADING US AIRLINES – DELTA AND UNITED. TO SHOW ITS SUPPORT FOR THE INITIATIVE, THE AMERICAN CHAMBER OF COMMERCE IN GEORGIA PUBLISHED A LETTER PENNED BY AMCHAM PRESIDENT MICHAEL COWGILL ON SEPTEMBER 16, DETAILING THE NUMBER OF ADVANTAGES BOTH THE US AND GEORGIA STAND TO GAIN FROM SUCH AN AGREEMENT.

Dear Minister Turnava,

The American Chamber of Commerce in Georgia would like to express its profound and sincere support for nonstop flights between the United States and Georgia. We were very encouraged by your visit last week to the US and your meetings with United and Delta Airlines. We are confident that this initiative will create a huge opportunity for the airline that starts operating this route, as well as provide considerable benefits for businesses and people in Georgia.

There is certainly considerable opportunity. As you know, the number of visitors travelling from the US to Georgia increased by 24% to 83 thousand in 2018, from 66 thousand in 2017. Figures released for the first half of 2019 suggest 23% growth this year. Georgia has considerable "buzz". The World Bank ranks Georgia, 6th in the world in its ease of doing business and Forbes said in 2018, 'Berlin Is Out, Tbilisi is In: Georgia's Capital Is This Year's Most Exciting City'.

Not only would nonstop flights make economic sense and garner a considerable market share, we are confident that they would generate growth in both business and tourism travel generally. Given Georgia's strong 'open sky' policy, direct flights could also make Tbilisi a hub for the region, creating opportunities for expansion particularly into Eastern Europe, Central Asia and the Middle East.

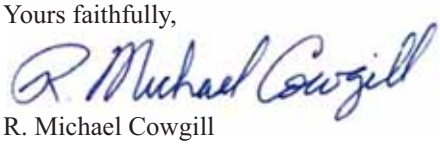
This would also be hugely advantageous for the Georgian economy, not only stimulating an increase and a diversification of tourists, but would be utilized by the large number of US government officials and increasing number of US business people who visit the region.

In this way, we believe it will strengthen commercial ties between Georgia and America and will help both countries to take advantage of the Free Trade Agreement that we hope will be negotiated in the near future.

We have supported the idea of direct commercial flights for many years, and regularly discuss the possibility with policy-makers and legislators on their visits to Tbilisi and on our regular trips to Washington DC. We feel that the mutual benefits are clear and would create great opportunities for the airline company and for both countries.

We stand ready to discuss this opportunity with any interested airline and to support this initiative in whatever way we can.

Yours faithfully,



R. Michael Cowgill
President
American Chamber of Commerce in Georgia

Georgia betting big on crypto – but how is it playing its cards?

BIG CRYPTOCURRENCY PLAYERS HAVE HELPED GEORGIA BECOME AN UNLIKELY PIONEER OF RELATED TECHNOLOGIES. AS THE COUNTRY ENTERS NEW TERRAIN AND CRYPTOCURRENCY CONTINUES TO GAIN A FOOTHOLD IN THE GLOBAL ECONOMY, THERE ARE A NUMBER OF QUESTIONS LOOMING ON THE HORIZON ABOUT HOW DIGITAL CURRENCY WILL CONTINUE TO DEVELOP IN THE COUNTRY - OR WON'T

In the last five years, Georgia has become a leading miner of cryptocurrencies across the world, with BitFury's Tbilisi data center alone accounting for 15% of the world's mined Bitcoins.

Now Georgia may be poised to overtake China as the capital of cryptocurrency mining—though not exactly by design.

With plans to digitize the yuan, the Chinese government started to crack down on cryptocurrency trading exchanges and mining companies in January of 2018, prompting an exodus of miners out of the country.

Now, China's central state planner, the National Development and Reform Commission, has announced plans to ban cryptocurrency mining, which it included in a list of 450 wasteful and hazardous activities slated for elimination.

While China tightens its reins over the crypto industry, Georgia continues to observe developments. Since the arrival of some of the first cryptocurrency prospectors in 2014, Georgia has not introduced measures in relation to the taxation or regulation of cryptocurrency production or its use.

Georgia now finds itself pioneering new terrain, with which comes new challenges and obstacles.

GEORGIA'S CRYPTO-KLONDIKE RUSH

Foreign prospectors have been fairly successful at mining in Georgia.

One of the world's largest cryptocurrency mining companies has set up shop in a warehouse just on the outskirts of Tbilisi. BitFury, which also has offices in world capitals such as Washington D.C., Dubai, Hong Kong, Seoul, Moscow and ▸▸

SUNDAY BRUNCH

IN SONNET RESTAURANT

12:30PM – 4PM

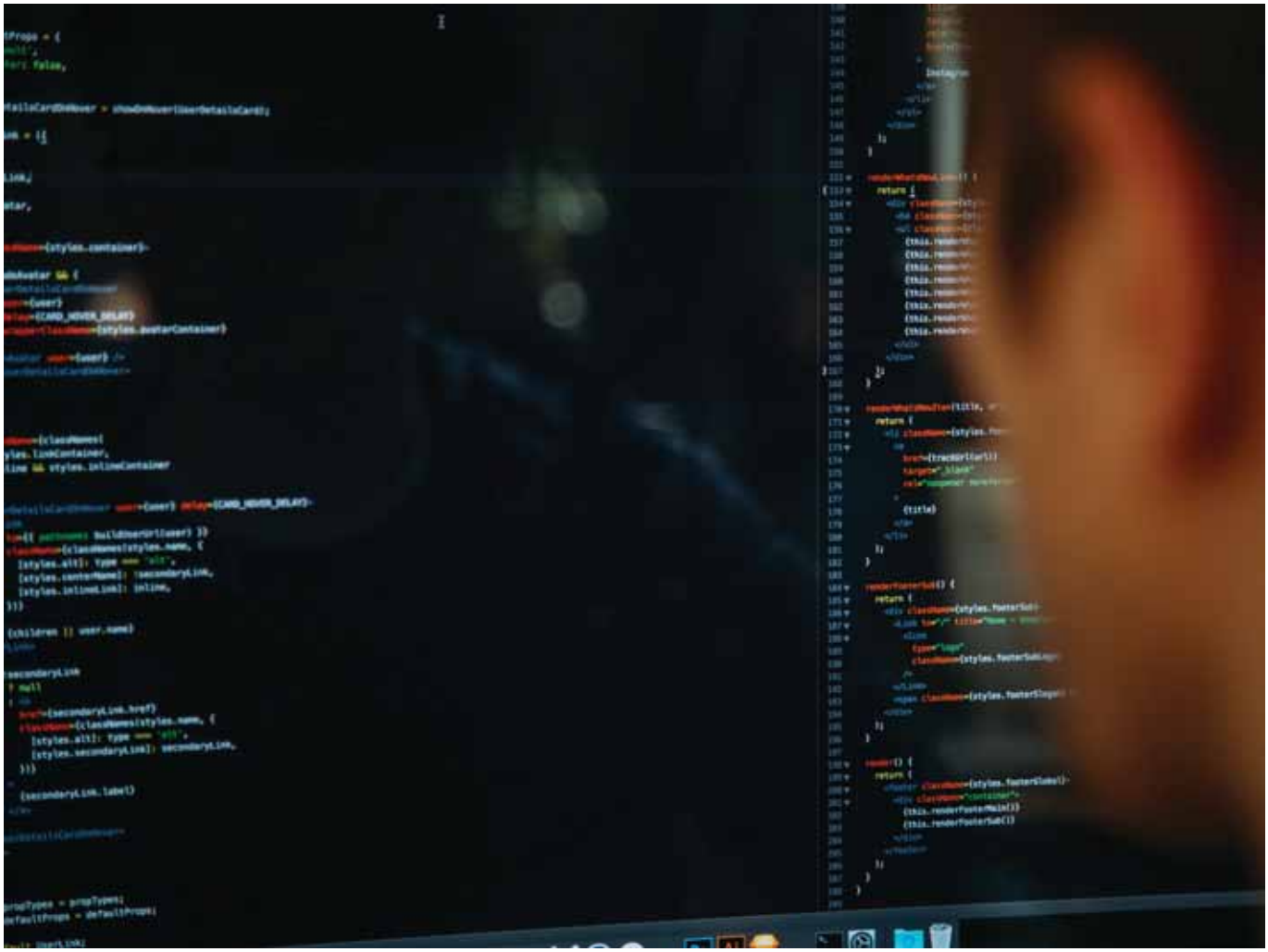
60 GEL INCL VAT – STANDARD MENU
80 GEL INCL VAT – STANDARD MENU WITH UNLIMITED WINE AND BEER

CHILDREN UNDER 6 FOR FREE,
CHILDREN FROM 6-12 YEARS - 50 % DISCOUNT
CHILDREN OVER 12 YEARS - FULL PRICE

- SPECIAL KID FRIENDLY BUFFET
- KIDS ENTERTAINMENT INCLUDING ANIMATOR, MAGICIAN, FACE PAINTING, TOYS AND GAMES
- LIVE MUSIC

THE BILTMORE
TBILISI

The Biltmore Tbilisi Hotel, 29 Rustaveli Ave.,
"Sonnet" Restaurant & Bar
+995322 72 72 72 / info.bhtg@biltmorecollection.com
millenniumhotels.com



Tokyo, initially set up shop in Finland in 2014.

That same year consistent drops in cryptocurrency prices made mining in Finland less viable.

It was then that BitFury turned its gaze eastward—towards Georgia.

Drawn by the liberal business environment, a $10 million loan and an 18-hectare plot given to them for the symbolic price of a single lari, BitFury opened its new Tbilisi data center in July 2014.

Given a fresh start in Georgia, BitFury was able to equip the new data center with a two-circuit cooling system to make energy expenditure more efficient. When Bitcoin prices fell and energy prices increased, many independent Georgian mining operations tanked. BitFury, however, was able to ride out the storm.

Today there are currently 30 large mining companies located in free industrial zones in Kutaisi and Tbilisi, the creation of which coincided with the opening of BitFury. These zones lure foreign investors with the promise of exemption from taxes on electricity.

Lone miners, however, have had a more difficult time.

In early 2018, 22-year-old student Nika Beselia connected his computer to Siacoin mining systems in his bedroom. After watching "everyone else get rich" he researched cryptocurrency mining on reddit and convinced his father to invest in three Siacoin A3 miners - for $4,500 a piece.

Two weeks later, Siacoin dropped from seven cents to three, causing the price of the A3 itself to drop by more than half.

Still, Nika persisted, mining approximately 250,000 coins even as the Siacoin dropped practically to zero.

Now his A3s collect dust in the closet.

When the Siacoin didn't recover, Nika "stopped seeing a future in mining." He switched off the A3s and froze his coins.

The Digital Economy Association of Georgia (DEAG) estimates that about

BLC Law Office

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 AML REGULATIONS UNDERWAY

On 31 May 2019, a new bill of Law on Facilitation of Combating Terrorism Financing and Money Laundering and related package of legislative amendments were lodged to the Parliament of Georgia. Under the Association Agreement with the European Union, Georgia undertook to approximate its law with applicable EU legislation, inter alia, in the field of combating money laundering. Further, the package aims to implement FATF recommendations of Council of Europe and sanctions imposed by the UN Security Council resolutions under VII chapter of the UN Charter. Accordingly, the bill envisages to replace existing Law on Facilitation of Prevention of Illicit Income Legalization and aspires to create unambiguous and foreseeable legislative framework. In short, the bill broadens the list of accountable persons to include the insurance brokers, law firms and certified accountants. The bill further requires accounting persons to implement assessment and management system of money laundering and terrorism financing risks, adoption of internal conformity control system and study programs for employees of accounting persons. Most importantly, if adopted, the law will oblige accounting persons to take preventive measures, such as identification/verification of any client, monitoring and determination of objectives and intended character of business relations, ahead of contracting any client, whereas currently the preventive measures are required if the transaction exceeds certain monetary threshold. The bill has not yet reached the first Parliamentary hearing.

NEW LAW ON DERIVATIVE INSTRUMENTS

On 19 August 2019, the new bill was presented to the Parliament of Georgia on Financial Pledge, Netting and Derivatives. The bill introduces new and important legal definitions of derivative instruments, qualified financial contracts, derivative transactions, financial pledge, etc. Derivative is defined as a qualified financial contract the value and cash flow of which, in accordance with this agreement, is reliant upon underlying assets or underlying indicator and payment of which is made by real delivery or cash, including netting/final netting. Moreover, National Bank will be vested with an authority to define additional types of qualified financial contracts and extend or define the list of underlying assets or underlying indicators. According to the explanatory note to the bill, the derivatives market is not well-developed in Georgia but the preconditions for such development already exist on financial market, thus increasing the demand for relevant legal regulations. Netting and financial pledge regulations aim at creation of more legal guarantees and protection for arrangements that are made on the financial market, including in the course of insolvency proceedings.

For more information and advise please contact us:

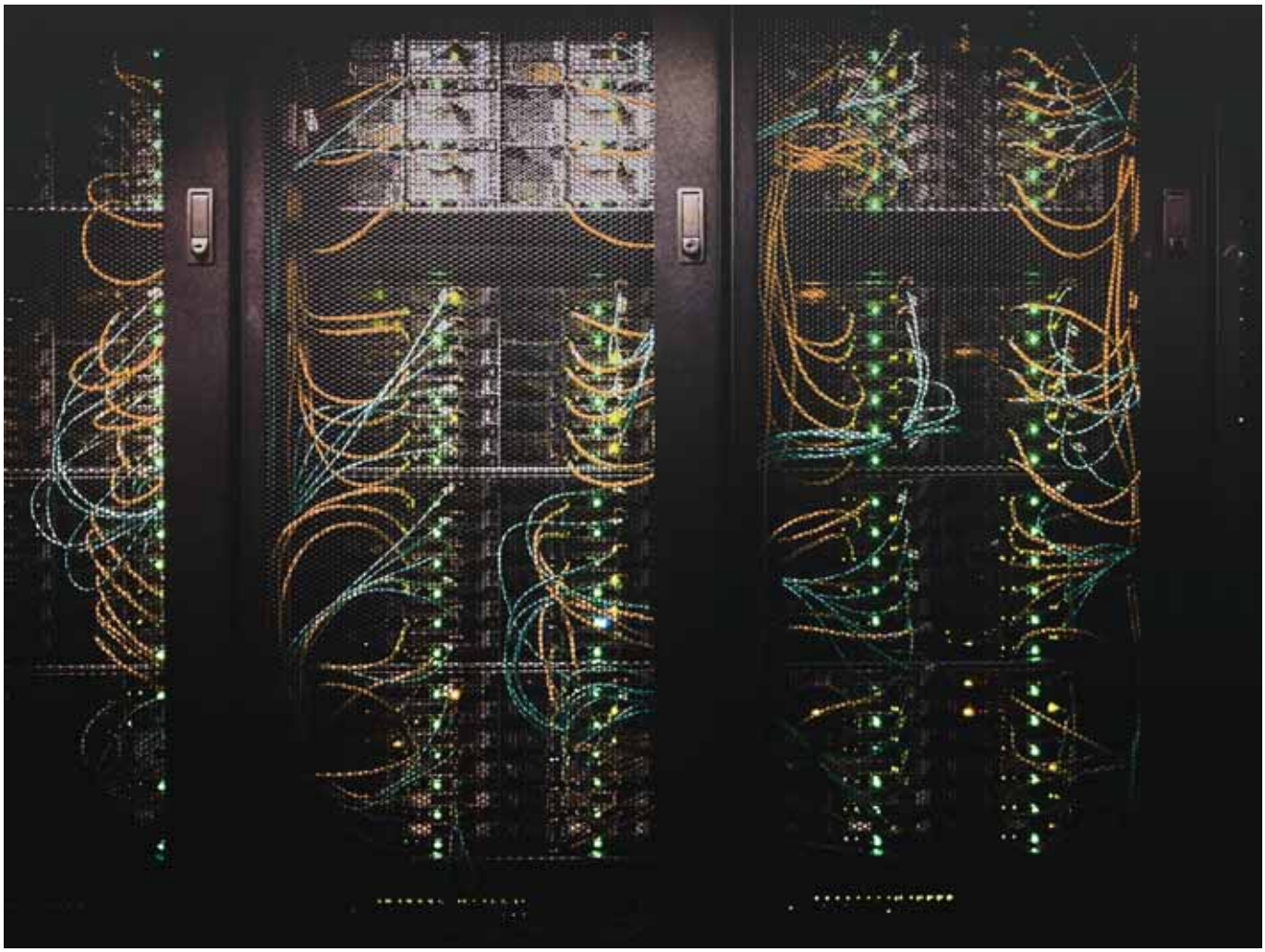
129a David Aghmashenebeli Ave, Tbilisi, 0102, Georgia
Tel.: +995 32 292 24 91, 292 00 86, 200 04 91
blc@blc.ge blc.ge

LONG AWAITED ANTI DUMPING REGULATIONS ARE UNDERWAY

No doubt, "prevention is better than cure". With this in mind and with an aim to avoid anti-competitive trade practice more effectively, ensure sufficient implementation of competitive policy and maximize the welfare of consumers, on 2 July 2019, a new set of amendments to the Law of Georgia on Competition were lodged to the Parliament of Georgia. The amendments were mostly caused by the draft law on Establishment of Anti-Dumping Measure in Trade which was presented to the Parliament in parallel. The anti-dumping law aims to protect the local industry from damages caused by dumping import on the customs territory of Georgia. The bill determines general terms and conditions for establishment of anti-dumping measures, such as an initial and/or a special anti-dumping tariff on dumping imports on the customs territory of Georgia in accordance with the principles and standards of the World Trade Organization. The Law defines "dumping" as placement of product on the local market at a lower price than its normal value, i.e. a price of the similar product designated for local use in an exporting country. The Government of Georgia will be entitled to establish special anti-dumping tariff on the basis of a report provided by the Competition Agency. The special anti-dumping tariff shall be established for up to 5 years individually for each exporter or producer and shall not exceed the dumping margin. Herewith, considerable alterations are made to the Competition Agency's governing structure and if the changes are implemented, instead of a chairman, the board comprised of 5 (five) members elected for the tenure of 5 years, shall become the management body of the Competition Agency. Neither of the above bills have yet reached the first session of Parliamentary hearings.

CONSTRUCTION LAW

On 19 June 2019, a group of Members of the Georgian Parliament initiated a new package of legislative amendments in the construction regulations. Following terrible accident of 16 January 2019, when gas leakage in the building not put into operation caused an explosion that took the lives of 4 people and injured 8, it became apparent that strict control over the construction business was necessary. In pursuant of the aforementioned goal, a new package of legislative amendments prohibits functioning of buildings under construction, both residential as well as of any other occupancy, until the issuance of the act of occupancy by the relevant supervision agency. Furthermore, until the issuance of such act, supplying the building with electricity and natural gas shall also be prohibited, other than for the purposes of constructional activities. For the smooth transition and as an incentive for construction companies to finish the pending constructions, the amendments also introduce amnesty for buildings that are built but not yet put into service. The amendments entail harsh, perhaps even too harsh, sanctions for violation of the new regulations, such as fines, suspension of construction or even criminal liability, instead of administrative reprimand. While the draft law is still in its early stage, its importance for the construction business cannot be overstated.



35,000 people like Nika have engaged at one point or another in cryptocurrency mining in Georgia.

"Anyone can do this, all you need is a strong enough computer and the necessary software," says DEAG President Giorgi Shervashidze. "Electricity costs run about 300 lari a month."

For many prospectors, however, the search for digital gold has been in vain. When the cost of cryptocurrency plummeted in 2018, mining became no longer viable for independent miners: the cost of electricity outweighed the value of cryptocurrency itself.

"In 2018, cryptocurrency prices plummeted – some losing as much as 70 per cent of their value. That put many private miners out of business and made mining less attractive to newcomers," says Shervashidze.

IMPACT

The effect of Georgia's top mining companies on the country's total energy consumption has been enormous.

TBC Capital reports that seven percent of Georgia's annual electricity consumption goes to cryptocurrency mining. BitFury's figures show that their plant alone uses around 28 million kWh of electricity per month (with seasonal fluctuations), equal to almost three percent of the country's monthly energy consumption.

When this data was published back in early 2018, the company noted:

"Within 3 years we have invested $140 million in Georgia and have employed 180 people, 100% of employees are local citizens, and the average salary of employees of the mining center is 2,500 GEL.

"We did not enjoy any privileges in obtaining electricity - the Tbilisi Free Economic Zone...operates according to the same rules and laws as other economic zones in Georgia."

So far in Georgia, like BitFury, "the majority if not all crypto operations are related to the extraction of cryptocurrency, not cryptocurrency operations", Chairman of the Association of Banks of Georgia Alexander Dzeneladze notes.

But there are two sides to every coin – and Georgia stands to gain much from the flip side.

In addition to its mining operations, BitFury, the self-proclaimed "leading full service blockchain company," is exploring a new frontier: the development of blockchain software.

In 2017, BitFury helped the government to become the world's first to use a blockchain-based database to secure public records. Like cryptocurrency, these records are now encrypted on a distributed blockchain, which secures them from hacking and tampering.

Now the government is teaming up with Input Output HK Ltd to complete the transition of the education system to the Cardano blockchain in order to make the verification of diplomas more efficient and reliable.

"Since the Soviet Union, Georgia has had a problem with fake diplomas," says Alex Sudadze, founder of Bitcoin embassy in Georgia. "It's a big problem for our country, but blockchain will make it clear and transparent who has an original diploma."

CONCERN AND ENTHUSIASM

The new frontier of cryptocurrency has state and private actors mobilized - in somewhat opposite directions.

First off, crypto-economies have yet to be proven fool-proof, and a number of governments are starting to take action.

One of the primary concerns for governments is the anarchic and volatile nature of independent cryptocurrencies, which governments can neither trace nor use monetary policy to control.

Indeed, cryptocurrencies fluctuate in a much more volatile manner than Fiat currencies, making them ill suited for credit-based monetary economies of production.

Data collected from CoinDesk shows the Bitcoin real exchange rate experiences 10 to 30 percent single-day fluctuations.

The National Bank of Georgia echoes concerns about the volatility of cryptocurrencies.

"Digital currencies are subject to intense fluctuations in value, which means that consumers are vulnerable to losses. Though the currency is regulated in some places, the industry of digital currency is still in the early stage of development," the NBG told *Investor.ge*.

The only legislative response to date to the growth of cryptocurrency and related operations in the coutnry appeared on June 28, 2019, when the Ministry of Finance declared mining pool companies would be subjected to a value added tax of 18 percent.

However, this only concerns companies who pool the efforts of individual miners. It does not tax neither individual miners nor major players to taxation, nor did the act concern the usage of cryptocurrencies in Georgia.

Director Giorgi Akhvlediani of Coinnetic Exchange, a Georgian platform for trading in digital currencies, says that most Georgian banks are hesitant to work with cryptocurrencies, and as a result cryptocurrencies are slightly more expensive in Georgia.

Though cryptocurrencies have become more accessible to Georgians through his exchange, he claims thattha banks' lack of willingness to work with cryptocurrencies has been an issue.

"One of the main problems today is that the banks do not favor cryptocurrencies and do not cooperate with companies associated with them," he says.

Another small crypto-capital, Malta, is working to address this issue through legislation to provide a framework for the sustainable and controlable development of the crypto industry. Last year the parliament approved three bills regulating the industry based upon the principles of market integrity and consumer and industry protection.

While the anonymity of Bitcoin poses other concerns, Georgian cryptocurrency pioneers are confident that such problems are not specific to cryptocurrencies, and with regulation can be avoided.

According to Giorgi Shervashidze, founder of AISI COIN, cryptocurrencies are no more anonymous than cash.

"It is often said that many transactions in cryptocurrency are used to finance illegal activities or money laundering, but I suppose this is even less than 1 or 2% of all operations," says Shervashidze.

Akhvlediani agrees with others who have argued that the issue of identification can be solved.

He predicts customers will be required to "present identification documents as one would at a bank" in order to buy and spend cryptocurrency.

This has already happened in the EU, where parliament voted in favor of a bill requiring crypto exchanges and wallet providers to verify customer identity.

Andrew Thornhill, founder of Tbilisi cryptocurrency startup Spotcoin, which issues its own cryptocurrency and operates an online exchange, agrees crime can be prevented in Georgia with a little bit of regulation:

"Everyone wants rules," said Thornhill for an interview with NPR. "I'm a digital revolutionary, not a digital anarchist."

Though the exact future of cryptocurrency remains uncertain and unpredictable, digital money, whether in the form of cryptocurrency or something else, is in all likelihood here to stay. The race towards digitalization has already begun, and Georgia has been given quite the head start.

UK's Big Idea Challenge sparks fresh burst of youth entrepreneurship

THE BIG IDEA CHALLENGE IS AN ANNUAL COMPETITION THAT PUTS IT TO YOUTH IN THE CAUCASUS, CENTRAL ASIA AND EASTERN EUROPE TO COME UP WITH INNOVATIVE BUSINESS VENTURES. HERE'S A LOOK AT THIS YEAR'S VICTORS IN GEORGIA.

LIKA JORJOLIANI

The United Nations Creative Economy report recognized the creative sector as one of the fastest growing sectors in the global economy back in 2011.

Now Georgian youth are increasingly trying their hand at entrepreneurship with the support of government programmes and local NGOs. One such program is Creative Spark, which was launched by the British Council in order to stimulate entrepreneurship across Central Asia and the Caucasus and promote international partnerships between universities and educational institutions.

Creative Spark has been in Georgia since 1993. Using the experience of the UK, Creative Spark aims to direct the educational system toward the creative economy. In Georgia, Creative Spark focuses on delivering business skills to aspiring entrepreneurs, from pitching ideas to protecting intellectual property. The program also makes accessible online learning platforms with a focus on English for entrepreneurship.

To help advance their mission, Creative Spark introduced the Big Idea Challenge back in 2018, an international competition aimed at the promotion of creative thinking.

For the competition, participants from seven countries, including Kazakhstan, Uzbekistan, Kyrgyzstan, Azerbaijan, Armenia, Georgia and Ukraine were required to deliver their business idea in a one minute video pitch.

Nine participants for each of the three categories were selected to receive mentorship packages and marketing assistance to develop their ideas.

Projects were judged based on both the degree of innovation and feasibility of their concept.

SAPO, the creative category winner and overall country champion in Georgia, shined in both these key areas. Their mission is a simple one: make hand-washing fun for kids.

SAPO's all-natural, animal shaped soaps are sold along with a book. To read to the end, children must use the soap to reveal a clue hidden inside which points to where the last page of the book can be found. Co-founder Naili Vakhania explains that it is precisely SAPO's innovative approach to handwashing that has made their soap a hit among parents.

"Our motivation for the project was to get children to enjoy washing their hands – all parents know how trying that can be. So we came up with the idea of attaching a story or an adventure to the book."

In digital technology, Levan Tkemaladze, George Sheshaberidze and David Paychadze took home the nomination for iWant, "a demand-based marketplace" that allows consumers to voice their desires and pick among competing offers. The idea is that in reversing the roles of consumer and producer, shopping will be made less complicated for everybody:

"Instead of wasting time and energy, or even money, on searching for and explaining your order, you simply place your order out there, and choose the best deal. This also saves time for suppliers, as they don't have to spend so much energy on advertising," Sheshaberidze explains in iWant's video pitch.

STARTING SMALL, GOING BIG

At the end of August, the creators of SAPO traveled to London to take part in a three day 'Startup Sprint.' Now SAPO, which began in Tbilisi without funding, has big plans to increase production and sales.

"We want to go international with our product, because it is in English and has been very popular with tourists. Our grant will be spent according to a new project outline we developed with British experts and advisers at the University of Oxford."

The goal of the coordinator of Creative Spark in Georgia, Giorgi Razmadze, is to create more success stories like SAPO in Georgia. The key, he says, is increasing awareness among Georgian youth about entrepreneurship. About six schools in Georgia participated in Big Idea, collectively submitting around 50 applications, but there could be more.

"Several such accelerated hubs have been opened in various educational institutions of Georgia. This is a new direction and many investors are interested in new ideas. The most difficult is the first year and it is important at the initial stage to support such projects," Razmadze says.

Sales Office
Green Diamond Residential Complex Area: 32 Bob Walsh
(next to Olympic Facilities) Tbilisi, Georgia
+995 32 200 10 10

Whatsapp Viber Telegram +995 577 68 22 02

/greendiamondge

If you build it, they will come – back. Repopulating Georgia's mountains

GEORGIAN MOUNTAIN REGIONS HAVE LOST UP TO 30% OF LOCAL RESIDENTS TO URBAN MIGRATION – THE GOVERNMENT'S STRATEGY ON THE DEVELOPMENT OF HIGH MOUNTAINOUS SETTLEMENTS IS WORKING TO BRING THEM BACK, AND THE MOUTNAIN REGIONS INTO THE FOLD OF THE LARGER GEORGIAN ECONOMY.

JOSEF GASSMANN

Georgia's mountainous terrain is both a boon and a bane. Accounting for almost 70% of the topography, the country's mountains may inspire awe, but their isolation, lack of infrastructure and everyday amenities has certainly not inspired highland settlement dwellers to remain in the area.

That is, until recently: the government's Strategy on the Development of High Mountainous Settlements is working to bring people back home.

Timed with the tourism boom in Georgia of recent years, during which locals have been able to set up guest houses and offer services to tourists, mountain settlements are starting to see signs of recovery.

The first round of the Strategy on the Development of High Mountainous Settlements was implemented in 2015, and was largely limited to the creation of social and tax benefits for the residents of Georgia's 1,700 high mountain settlements.

Deputy Minister Mzia Giorgobani told *Investor.ge* that the ministry is carrying out an internal study on emigration from Georgia's highland areas, but that evidence so far seems to suggest that the first wave of the Strategy on the Development of High Mountainous Settlements has not only stemmed the flow of people out of the area, but is slowly bringing people back.

"What we see is that the first wave of the programme [launched in 2015] has helped people a lot – grant programmes in particular have been successful in giving people work. Many people have been able to open up guest houses, which has worked well not only for them, but has given jobs to their neighbours as well. And this has timed well with the boom in tourism in Georgia we've witnessed in recent years", Giorgobani says.

But the ascent ahead is a long one.

Data from 2004-2018 shows that Georgia's rural mountain regions suffered serious depopulation, losing on the low end up to 10% of local residents to emigration in regions such as Guria, Mtskheta-Mtianeti and Kakheti, or up to a staggering 31% in Racha-Lechkhumi/Kvemo Svaneti and Samegrelo-Zemo Svaneti.

The new five-year strategy, announced by then-PM Mamuka Bakhtadze back in July, plans to encourage the trend of return, and takes a fresh look at what can be done to improve the quality of living for the more than 300,000 residents of these regions: almost ten percent of the country's total population.

The scale of the new plan attests to the importance of the project: the new-five year development strategy has been allocated 700 million GEL ($246 million) – almost eight times more funding than the original package of 86 million GEL ($50 million at the time).

Under the first wave of support, the government allocated a series of benefits to residents of highland settlements and inhabited areas 1,500 meters above sea level, although some lowland settlements or borderlands have also been included in the programme, in order to tackle the same issue of depopulation.

This package included a range of social benefits:

- monthly support for one year of 100 GEL and more per child birth
- pension supplements of 20%
- salary supplements up to 35% for doctors and teachers
- tax exemptions for individuals whose annual income is lower than 6,000 GEL
- tax exemptions and reductions for businesses
- discounts on utility fees

The new package seeks to do more than allot social benefits, however.

"We need to give the people a way not just to sustain themselves – but to progress. Not just to receive benefits, but to make use of them to achieve long-term goals. The first package gave people a fish – this one will give them a rod," Deputy Minister of Regional Development Giorgobani told *Investor.ge*.

Tourism has indeed been a crucial source of income for households in mountainous areas of the country, especially in the last few years as new roads have made mountain areas more accessible for tourists, and the country's ski resorts have grown to such proportions so as to support the surrounding villages.

Riding this wave of increased tourist numbers, the ministry has identified several key areas to bolster independence and self-sufficiency in the country's highlands.

"Our top five priorities include putting in roads, ensuring proper water supplies both for irrigation and drinking, rehabilitating and renovating buildings that have cultural and historic significance, renovating people's homes and setting up hiking trails and other eco-tourism attractions," Giorgobani said.

As for job creation, the new five-year plan will focus intensively on developing agriculture in the region.

"There are many unexploited possibilities in the mountaims, particularly in dairy production, because there is so much unused, available land. In the past it was hard to get ahold of the proper equipment – particularly for pasteurization, which is a very expensive process", Giorgobani noted, adding that other perspective industries include dried fruit production and honey, the growth of which will be stimulated by small grants ▸▸

and microloans by the development strategy, in addition to other government institutions such as Enterprise Georgia.

Deputy Minister of Agriculture Giorgi Khanishvili confirms that dairy production is indeed one of the most promising industries in Georgia's mountainous regions.

"The state's 'Rational Use of State-Owned Pasture in Highland Regions' program enhances the capacity of dairyfarmers, increases their income and produces high quality and safe dairy products through agricultural coops in the regions," Khanishvili said.

The program has already brought together some 1,200 farmers and 39 cooperatives, leasing over 12,000 hectares of pasture land and agricultural machinery, including equipment needed for pasteurization, at advantageous rates.

MOVING FORWAD SUSTAINABLY

While development of these industries and regions should bring more independence and a higher quality of life to the area, there are some concerns of the environmental and human impact on these otherwise largely untouched areas.

The Georgian Ministry of Regional Development notes the importance of communicating closely with local communities to ensure that development takes place at a reasonable pace and that the concerns of locals are addressed before projects go through.

"Often we have to have discussions about building roads with local communities. The roads in some of these areas are so poor that in the winter the communities are entirely isolated. Better roads would help the locals retain their connection with the outside world and let tourists and medical help in as well. But I want to stress that we're not talking about highways in these areas. We're just talking about decent roads. If we're going to ask people to return to their homelands in the mountains, we have to at least provide them with decent enough infrastructure to get there," Giorgobani says.

Before starting any such project, the ministry holds public discussions with the local population.

"It's difficult to satisfy everyone. But we only put in the road if the majority approves. They have various fears. Some say landslides will become more common. But this is the 21st century – we have many ways of preventing landslides. We work with international contractors and consultants. We receive financing from the EBRD, the ADB and KfW – therefore, we use their procedures, and we hire international consultants when we look into environmental issues. We play things on the safe side, and know that we are providing good quality roads.

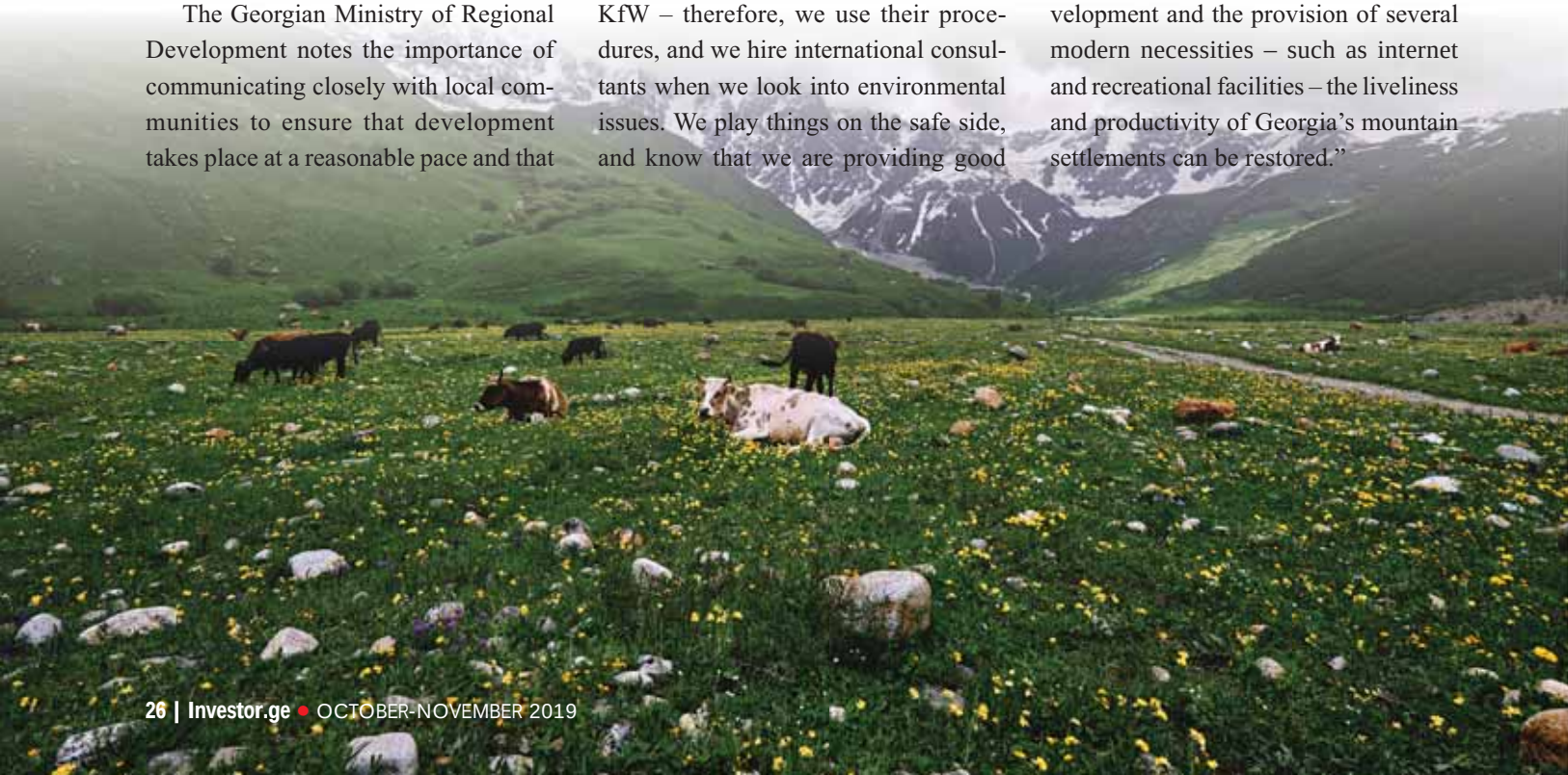
"Meanwhile, others are less altruistic. Some people have their own cars and provide driving services, they feel threatened by the new roads. But there are more opportunities if you open up, instead of trying to monopolize the area," Giorgobani noted.

Another concern is over-tourism and the lack of necessary infrastructure to handle increased traffic – human and machine. Here, too, the ministry wants to empower local communities.

"Increasing the capacity of local municipalities to provide the appropriate services by themselves is more effective. If they manage resources correctly, they can build parking spaces, clean markets, and other facilities. Spatial planning is very important, and we are hire professionals to create cadastral maps for these villages," Giorgobani says.

It will be some time before Georgia's highland settlements become an attractive alternative to city life, especially for youth. But many already want to come back, says Giorgobani:

"With careful planning of infrastructure, business and agriculture development and the provision of several modern necessities – such as internet and recreational facilities – the liveliness and productivity of Georgia's mountain settlements can be restored."



Delicious, nutritious and local – helping small producers access the Georgian market

SMALL PRODUCERS HAVE MUCH TO OFFER, BUT NEED HELP IN GETTING THEIR PRODUCTS ONTO STORE SHELVES AND IN FRONT OF THE EYE OF CONSUMERS – THE UNION OF GEORGIAN ENTREPRENEURS IS TRYING TO DO JUST THAT

LIKA JORJOLIANI

Locally produced Georigan products have been making their way with increasing frequency onto store shelves in recent years, with the appearance of local goodies such as Gurieli tea to Nugbari Churchkhela (think Georgian Snickers).

But this is the luck of just a few. Due to difficulties in financing, advertising and other issues, many small Georgian business owners still struggle to get their goods not only into stores, but in front of the eye of the consumer.

President of the The Union of Georgian Entrepreneurs Goga Tsitskishvili told *Investor.ge* that his organization is trying to change that.

"Our main aim is to provide small and medium sized businesses and start-ups the opportunity to promote their products. These business owners have a number of problems - from getting the opportunity to sell their products in large retail stores to affording loans, all of which makes it very difficult for them," Tsitskishvili said.

To address the issue of brand visibility, the Union of Georgian Entrepreneurs regularly organizes product displays and festivals throughout the year.

"We hold our event *Gaicani Kartuli* [Geo. Meet Georgian] about once a week, where we bring together local producers and give them the opportunity to promote their goods. They are involved in a number of areas of production – food, alcoholic and non-alcoholic beverages, crafts and jewelry," says Tsitskishvili.

At the event, Georgian producers display their wares at various venues – malls, parks and other public spaces where they can interact with customers on a personal level and raise awareness of their products.

"This series of exhibitions seems like a simple enough idea to implement, but it would be unthinkable without the help of commercial centers, malls and other public spaces with a high degree of corporate responsibility and the goodwill of private business owners.

"As a result, about three hundred local entrepreneurs are able to present their products to reach a wider audience, all of which contributes to raising awareness of their products and a noticeable increase in sales," Tsitskishvili claims, noting that small business owners rarely have the opportunity or the means to sell their products in large retail chains, which often ask for large sums of money up front in exchange for shelf space.

Documentation, product testing and other procedures are another issue that increases the financial burden on businesses trying to get off the ground.

Investor.ge spoke to the owner of jam-producing company Murabela, Iva Gruzinsky, about the challenges he faces in promoting his company both in Georgia and abroad.

"We visited over 100 villages all over Georgia to get our recipes, we spent a particular amount of time in the Kartli, Kakheti and Adjara regions to find our favourite flavors of jam, of which we've over 50. We started with jams from oranges and citrus fruits, which are particularly popular in Georgia. Then we moved onto more traditional jams, made from quince, black plums, walnuts, and offered some unusual flavours as well, such as basil, mint or tarragon," Gruz- ▸▸

PwC is a powerful network of over 236.000 people across 158 countries.

All committed to deliver quality in Assurance, Tax, Advisory & Technology services.

We work to create the value our clients, our people and our communities are looking for. And we do this by building long-term, sustainable relationships.

The value you're looking for

www.pwc.com/ge

@2019 PricewaterhouseCoopers Georgia LLC
All Rights Reserved

pwc

To find out how we could work with you visit us at: King David Business Centre, 7th floor, #12 M. Aleksidze Street, Tbilisi, Georgia, 995 32 2508050

ADVERTISEMENT

insky says.

Though Murabela's beginning was sweet, the path forward to expanding the business has been a sticky one:

"We have the visibility. We're invited to talk on TV. The media writes about us. But the problem is we don't get much out of the sale of our products in retail chains. This is why we're trying to sell our goods electronically, through Facebook and our website. It would help us a lot if we could sell abroad. I don't want to scare companies that are just starting out, but the fees for accreditation, laboratory testing, a bar code and other necessary documentation, both for sale in Georgia and abroad, really hamper our development."

Gruzinsky says the fact that his company has a hard time selling abroad makes maintaining the business even more difficult, given that it makes it more susceptible to fluctuations in the lari.

Small business owner Sergo Davituliani has also run into difficulty promoting his adjika company, Bebishi Nakaka.

"We cooked up a number of old Megrelian recipes that weren't being used. Our brand name comes from Megralian, and means 'Made by Granny.' We've original packaging made of clay, a quality certificate, our products are tested twice a year," Davituliani says.

Bebishi Nakaka's issue is that it can't afford to have its products displayed in shops or supermarkets.

"There is a rather frustrating system in our country of having to pay an exorbitant amount of money, sometimes as much as 5,000 or 10,000 GEL, to shops and supermarkets for them to agree to display our products. We've just started our business seven months ago and of course we're still in the red. How are we supposed to start making money if we first have to shovel out such ludicrous amounts of money?", Davituliani says.

But that's where the Union of Georgian Entrepreneurs has been of great help:

"Here at these events, a consumer gets to not only see, but to taste our product, and meet its producers in person. They can see the attention to detail, and the thought put into it. Later, if they do see our products somewhere, they already have a better idea of what they're purchasing."

Blue cheese producer Bagrat Mezurnishvili has problems of his own.

"...this pungent delicacy used to be produced in Georgia, but later it came to be considered the heritage of the capitalists in the Soviet Union, and thus lost its popularity. Now, I have to tell every customer I meet in detail about blue cheese. Advertising is expensive. I have a store here where I sell, but exhibitions and festivals like the ones put out by the Union of Georgian

Entrepreneurs help us find more clients," Mezurnishvili says.

"I used to work in the cheese business in the US. There, it's difficult to open a business, but it is easy to develop it once you do. In Georgia, things are different. Since my business isn't a startup, nor a cooperative, I'm ineligible for preferential lending programmes, which are mostly available in the regions."

"Small businesses are on a very unequal footing with large businesses in this country. A big business can protect itself from the depreciation of the lari. But a small business can't.

"When I started production, I took out a $100,000 loan, having calculated my project per the exchange rate of $1 to 1.63-1.65. And if I raise the price of my products, then I will not be able to compete with large manufacturers. This means you are constantly concerned and dependent on the fluctuations of the lari." Mezurnishvili says.

Changes in the lari aside, other aspects of Georgian business culture are in need of a change as well, says head of the Union of Georgian Entrepreneurs Goga Tskitsishvili.

"With several exceptions for which we're very grateful, unfortunately right now, the level of corporate social responsibility is rather low in the country. But we are beginning to see some groups push forward initiatives to even the playing field," Tskitsishvili says.

One such initiative is being pursued by the Georgian Retailers Association along with the Union of Georgian Entrepreneurs, and wants to see the establishment of quotas for the presence of products of smaller producers in larger chains and supermarkets.

Head of the Georgian Retailers Association Luka Chelidze told *Investor.ge*:

"This is a common practice in European states. The idea is still in the discussion phase, and we're waiting for our European partners to provide us with examples of how this has worked out elsewhere. But we're confident that just this small change can make a big difference for local producers," Chelidze says.

Circular migration:
fueling professional development and addressing unemployment in Georgia

THE EUROPEAN LABOR MARKET IS ATTRACTIVE TO GEORGIANS, BUT EUROPE IS WARY OF MASS MIGRATION. THE ANSWER COULD BE CIRCULAR MIGRATION: A SYSTEM BY WHICH WORKERS ARE ALLOWED TO TRAVEL TO WORK IN A HOST COUNTRY FOR GIVEN PERIODS OF TIME, BEFORE COMING BACK TO GEORGIA FOR A WHILE AND THEN 'CIRCLING' OUT AGAIN LATER ON ANOTHER SHORT-TERM CONTRACT.

At the Batumi International Conference this summer, President Salome Zurabishvili highlighted the potential benefits of 'circular migration' for both the EU and Georgia, explaining that such an approach to the issue of migration would be consistent with Georgia's European heritage and integration with EU.

She also encouraged "closer human links" between the countries with the motto: "More Georgia in Europe, more Europe in Georgia", and noted circular migration agreements could benefit both countries.

For Georgia, circular migration can help address unemployment and fuel professional development in the country as well, while the EU stands to benefit by filling in the labor gaps in important sectors left by population decline.

To date, France is the only EU state with which Georgia has a full-fledged circular migration scheme, however Georgia is working in cooperation with Israel, Austria, Romania, Greece, Poland, Germany and Bulgaria to develop functional circular migration schemes.

DIRECTING THE DEVELOPMENT OF SKILLED LABOUR THROUGH CIRCULAR MIGRATION

Even as the economy expands, Georgia remains a country of net emigration.

A 2017 study by the Organization for Economic Cooperation and Development (OECD) shows high levels of unemployment and structural labour market problems are the most significant forces behind Georgian emigration, with the majority of illegal migrant workers citing home unemployment as the reason for their move.

Though unemployment is on the way down in Georgia, the economy is still experiencing trouble meeting demands for highly-qualified professionals.

One important field where labour supply and demand mismatching remains an issue is engineering.

Kote Cheishvili, an engineer at joint Israeli-Georgian aircraft parts plant Aerostructure Technologies Cyclone (ATC), claims that at present there is "no collaboration between the industry [of engineering] and universities."

It is for exactly this reason that Cheishvili chose to complete his undergraduate and Masters degrees in the Netherlands and Germany.

"In Georgia there's nowhere to get experience," says Cheishvili. "In the universities they learn theoretical stuff, different from what's currently required. There simply aren't internships or research studies in the field."

Cheishvili predicts that in the future there will be more engineering companies in Georgia available to offer internships to students. Until that happens, however, Georgian engineering students will be less employable.

However, a system that would allow them to develop their skills abroad could

provide a cadre of professionals that could later return and build up the base of the industry.

Though such plans would initially entail a loss of expertise, circular migration schemes would ultimately be rewarding for Georgia, says Executive Director of the EU-Georgia Business Council Giorgi Kacharava.

The EU only stands to win from such agreements, Kacharava asserts.

"The fact is all EU countries have a lack of skilled labour—all EU countries. Georgian workers can fill these gaps."

BOLSTERING THE STRENGTH OF THE EU-VISA FREE DEAL

Further incentive to push forward circular migration schemes are concerns that the EU-Georgia visa-free deal has given rise to a concerning pattern of Georgians claiming asylum in the EU as a means of extending their stay – Georgia ranks 10th among asylum seekers in the EU, and third in the same list in a number of other countries, including France.

Some fear the visa free travel deal, called "the main achievement of Georgia" by French Interior Minister Christope Castaner, today is under threat:

"If we don't work on this, tomorrow Georgia's free access to Europe may be restricted," Castaner warned during a visit to Georgia in May.

The Georgian government has since been working in cooperation with the EU to prevent unnecessary claims to asylum, implementing measures against the change of surnames and citizen support for illegal stays abroad.

Many EU countries, meanwhile, have added Georgia to safe country lists, making Georgians ineligible for asylum.

This has led to a dramatic reduction in asylum claims: in Germany, one of the most popular destinations for Georgian immigrants, asylum seekers were down 20 percent in between January and July 2019 in comparison to the year before.

Implementing circular migration schemes can further remedy the problem.

Labor migration from Georgia to the EU is driven primarily by unemployment. The Rondeli Foundation reports that every year, 3-4,000 Georgians try to stay in the EU in pursuit of undocumented employment.

A significant reduction of illegal immigration from Georgia into the EU will thus depend on increased employ- ▸▸

ADVERTISEMENT

ment opportunities at home. While the Georgian economy can't provide these opportunities overnight, Europe's can:

"Circular migration is our top priority as an answer [to illegal migration]," said President Salome Zurabishvili back at the Batumi International Conference. "Now we are working on initial agreements with our European partners in order to develop a qualified professional workforce ."

However, Zurabishvili did emphasize that Georgia "will need Europe's support and facilitation" in the development of circular migration schemes.

One crucial element of needed support is a system for matching potential Georgian laborers with the appropriate EU markets.

In 2018, the State Commission for Migration Issues of Georgia released a study assessing the demand for labor in the EU and Georgia's potential to supply specialists.

While some EU member states have also released lists of in-demand professions, the pieces have yet to be put into place.

Looking at Georgia's study next to the available lists, Georgia's labour supply best fits with Austria, Germany, Belgium, Italy, Slovakia, Slovenia, Hungary, Finland and Sweden, where there are labour demands in the hospitality, medical and construction sectors.

This is why the EU Georgia Business Council calls for the cooperation of the business sector, NGOs, and governments in order to better direct the flow of migrants toward in-demand sectors.

"It's important to make a database as comprehensive as possible for Georgian citizens so that they can be familiarized with available jobs and their requirements," says Kacharava.

This in turn would lead to less illegal stays and costly deportations.

INFORMAL CIRCULAR MIGRATION: REDIRECTING MIGRATION FLOWS INTO CIRCULAR MIGRATION SCHEMES

One of the biggest issues is that under the current system, many Georgians traveling to the EU are unfamiliar with the requirements for residency and work in their destination country.

Such was the case with Nino Khundadze. Educated in architecture but in search of better opportunities, Khundadze followed her boyfriend with her infant son to Europe in 2009. At the border they were granted just a seven day visa.

"We didn't know what we were going to do, how we were going to fill out the documents with this seven day visa. My boyfriend told me we were going to apply for asylum - I didn't even know what that meant."

During her three years in Germany, Khundadze was hired twice - once by an architecture firm and the second time as a visual design artist for Footlocker. Both employers tried helping Khundadze to get residency documents; both times they failed.

Germany requires migrants to apply for residency and work permits from their home embassy.

Meanwhile, without the occupational matching of circular migration schemes, Georgians tend to rely on unofficial channels to secure jobs in the EU - most of whom aren't cheap. Some migrants reported spending $1,500 to $5,000 for these services, though the ILO convention on Private Employment Agencies forbids intermediaries from collecting fees from migrant workers.

These private employment agencies, which remain the main intermediaries between local job seekers in Georgia and employers in the EU, are known to misrepresent employment opportunities, salaries, and rights to migrant workers for their own gain.

In this area, Kacharava says more government oversight would be helpful:

"I think the most important issue is to monitor those companies that are offering Georgian citizens work to EU countries because we know of examples in Ukraine where they were cheating citizens - collecting 100 applications and getting fees for this. But in reality, the factory was only employing some twenty people.

"It's very important to inform Georgian citizens of these dangers. Too many are traveling to the EU and finding on the spot that there is no job," Kacharava says.

Another issue is that private intermediaries have kept the Georgian government out of the loop. Though the Law on Labour Migration of 2015 requires the exchange of information, current data on the number of employment agencies and Georgian migrants abroad is unavailable, making the development of strategic circular migration schemes more difficult.

The Georgian government, however, is working to change this.

This past year, a new division was created within the Ministry of Labour to compete with private employment agencies and oversee the planning and implementation of future circular migration schemes.

Through a close rapport with the private sector in the EU and Georgia, this division will play a re-invigorated role in the regular monitoring of trends in the EU labour market and the Georgian workforce.

COMING FULL CIRCLE – REINTEGRATION

Though Georgia stands to benefit from the skills development of migrant workers in the EU, the reintegration and return of those who leave is crucial to the

development of the Georgian economy.

Unlike the major origin countries of other EU migrants, Georgia is itself affected by a declining population, meaning the effects of migration are more pronounced than other third countries of origin.

"Here in Georgia there is a huge demand for skilled labour, however salaries might not be so attractive to returning migrants. This is why we must develop incentives for them to return home", Kacharava noted, adding that as it stands, the return and reintegration prospects for professionals in demand on the Georgian labour market are not always clear, and more could be done to assist returnees in the reintegration process.

Though the circular migration of the skilled workforce does bare the risk of exacerbating labour shortages, the statistics show that this risk is minimal.

Unlike the origin countries of other migrants to the EU, Georgia is naturally in line with circular migration schemes. The 2017 Barometer survey shows that only eight percent of Georgia's population are interested in permanent emigration from the country. Most return, not for legal status issues, but for personal and family reasons.

OTHERS JUST SIMPLY MISS HOME.

Cheishvili was studying and working in Germany when he finally got the "lucky" call from ATC, an aircraft composites factory in Tbilisi, where he works now. Though the wages would be lower than in Germany, Cheishvili immediately accepted: "It's my home and I belong here."

Cheishvili's take is shared by many returned migrants to Georgia, who are putting their skills to good work at home.

According to an OECD study, returned Georgian migrants are likely to invest, start their own business, or become self-employed upon return to their home country.

Data from the Mobility Centers project supports these findings. In 2016, the most in demand service among returning migrants was business development consultation.

Though Zurabishvili's vision for circular migration begins with "more Georgians in Europe," the end goal is indeed more Georgians working in Georgia.

"I always told people my stay was temporary - until an opportunity would open up in Georgia," says Cheishvili. "Here I feel I can make a change and do something important."

ADVERTISEMENT

PASHA Bank
New heights. Together.

+995 322 265 000 | pashabank.ge

The rise of Georgia's online High Street

GEORGIA'S RETAIL SCENE HAS CHANGED DRAMATICALLY IN RECENT YEARS WITH THE ARRIVAL OF LARGE, INTERNATIONAL BRANDS. SLOWLY, HOWEVER, THE MARKET IS MOVING OFF THE STREETS AND ONTO ONLINE SALES PLATFORMS – MANY GEARED TOWARDS LOCAL PRODUCERS.

SALLY WHITE

Change on Tbilisi's shopping streets is highly visible – from Freedom Square's multi-story Galleria Mall to Vake's edgy fashion district.

Less visible, but no less radical, is the change in Georgia's commercial scene that in 2019 is developing rapidly online.

This time the main drivers are the two major banks, TBC Bank and Bank of Georgia.

They are moving into marketplaces, buying and building new retail platforms (the internet's version of marketplaces), to help a whole host of Georgian businesses, even small ones, sell online.

Behind their moves is the latest buzz word in international banking – "ecosystems", which come with their own online platforms. With competition rising, regulations tightening and profit margins under pressure, banks want to keep as close to their customers as possible and find additional ways to offer them deliverable services.

As explained by multinational professional services group Accenture, "banks can set up and run ecosystems with third parties (banks or other businesses) to cross-sell financial services and generate new revenue streams. Or they can also become partners in third-party ecosystems, extending their presence into the non-banking aspects of customers' lives."

Banks' new e-commerce platforms or ecosystems are not all to do with finance. Real estate (popular with the banks as they can be linked to a whole range of financial services), consumer and household goods, electronics, cars and car parts, tickets and textiles can all be purchased from Georgian providers via these new apps.

Until very recently, most Georgian companies sold via international platforms, such as amazon.com or ebay.com or the Chinese site AliExpress.

But Cushman & Wakefield's latest Retail and Leisure Report points out: "The number of [Georgian] online stores now exceeds 50 … with established Georgian brands such as Roniko, Voulez-Vouz and the ICR brands (European brands of shoes, clothes and accessories)."

The banks are approaching these new platforms with plenty of online experience.

For several years now, Georgian banks have been developing digital banking systems, moving to the cloud and away from the old brick-and-mortar networks, and doing more and more business online and via smartphones.

TBC Group started off in summer last year with the purchase of Swoop, a Georgian online discount and sales group. From this base it began to develop an e-commerce marketplace by building digital trading platform Vendoo, and in February this year it announced its launch as an on-line marketplace for small and medium-sized companies selling electronics and personal care products. The range of goods is expanding. Vendoo's aim is to "provide a platform to small and medium entrepreneurs as they will be able to distribute their products to Georgian customers online."

At the end of last year TBC partnered with real estate platform, allproperty.ge to offer Livo – a platform which offers 3D tours of properties. Allproperty.ge also offers a property assessment service which, within hours, can give a certified assessment and price.

Following that, TBC built up a 55 per cent stake in ticketing website TKT.GE. Then in early September it bought a 65 per cent stake in the my.ge group; a market leader in the automotive and spare parts industry and top player in real estate. My.ge has extended to include in its product ranges a wide range of household and electrical goods and also carries job ads.

"The acquisition of my.ge provides a strong acceleration in our ecosystems strategy. It will dramatically increase our digital presence in the Georgian market and provide access to a large number of new customers," comments Vakhtang Butskhrikidze, CEO of TBC.

Bank of Georgia launched a real estate digital platform, Area.ge, back in February.

The company says the platform ▸▸

ADVERTISEMENT

"offers a single place for convenient exchange of information among all parties involved in buying, selling, renting and developing real estate in Georgia".

In June Bank of Georgia added extra.ge, a consumer-to-consumer (C2C) as well as business-to-consumer (B2C) site with around 80,000 registered buyers and sellers and which offers 100,000 products and services through its website and social media.

"This integrates with Bank of Georgia's current flexible single sign-on and payment system and will offer the Bank's pre-approved instant instalment loans to enable its customers to purchase selected products", extra.ge's website reads.

An attraction of these ecosystems is that they can be accessed internationally.

For banks operating in a country with a declining population, that is an advantage – to keep in contact with customers abroad and find new ones. TBC is gaining experience in international trading with its cloud-based neobank Space, which is structured as an autonomous business, existing only as a mobile app. Work is underway to expand it into Azerbaijan and Uzbekistan. For Georgian companies, they can help build export business.

Referring to these moves, Vakhtang Butskhrikidze said at a recent TKT.GE press conference: "We have launched the presentation of a number of important applications over the past few months. This is one of the strategic directions for the TBC Group, which is focusing on the simplification of life for clientele, making it easier to do business for entrepreneurs. We aim to test the given application in Georgia first and then move it beyond the borders of the country."

TBC's goals include expanding in Azerbaijan and Uzbekistan, increasing its customer numbers to 10 million by 2022. It announced a partnership with Azerbaijani bank Nikoil in July last year, and entered into an agreement to buy a 51 per cent stake in Uzbek payment platform Payme in April this year. It has a strategy of developing "a next generation banking ecosystem for retail and MSME customers" in Uzbekistan, focused on digital channels.

The scope for increasing online business in Georgia, and venturing into the wider region, looks good. A report on Exporting to Georgia, published in August by the US Department of Commerce (USDC), put the number of households with broadband connections at 74 per cent, of which 55 per cent were mobile internet users.

"Electronic transactions over the last four years have increased significantly", it comments. There is a major government drive to put more onto the net. The World Bank Group, with the support of the EU under the EU4Digital Program, has been preparing recommendations for the Georgian government on a national broadband development strategy. The aim is "the roll out of more, faster and affordable internet services across Georgia".

Those other essentials for internet business, debit and credit cards, are being used increasingly, with the Georgian numbers now at 6.7 million and 0.7 million holders respectively, according to USDC, and in March alone a total of 24 million transactions (of all types) were made.

According to cloudscene.com Georgia has over 45 internet users per 100 of its population, though others put the usage at over 60 percent.

Scope for growth regionally seems considerable. "B2C E-commerce is still in its early stages," states a regional report from ResearchAndMarkets.

"Among more developed markets in the region, access to financial services reaches only over half of the populations of Georgia and Kazakhstan. As internet penetration increases and infrastructure improves in the region, the growth prospects for B2C E-Commerce increase as well."

Azerbaijan, where nearly 75 percent of the population are internet users, looks particularly promising, but there is also "large potential" in Georgia, where "Nearly a third of internet users used the internet to browse for information on services and goods and a lower share bought goods and services online in 2018".

Sundays We Brunch @Ati

All prices are given in GEL. 18% VAT will be added to the price

AMCHAM

CONTENT

50 SOCIAL: BACK TO BUSINESS COCKTAIL RECEPTION

39 AMCHAM HOSTS US DEPUTY CHIEF OF MISSION, OPIC MANAGING DIRECTOR

40 NDI PRESENTS JULY POLL FINDINGS TO AMCHAM MEMBERS

41 NEW MEMBERS

42 MEMBERSHIP DIRECTORY

47 SOCIAL: AMCHAM RAFTING DAY TRIP

48 SOCIAL: SATURDAY BBQ FOR AMCHAM MEMBERS AND FAMILY

50 SOCIAL: BACK TO BUSINESS COCKTAIL RECEPTION AT MOXY HOTEL

52 BOARD OF DIRECTORS

AMCHAM HOSTS U.S. DEPUTY CHIEF OF MISSION, OPIC MANAGING DIRECTOR

AMCHAM GEORGIA ORGANIZED A BUSINESS ROUNDTABLE DISCUSSION ON SEPTEMBER 24 AT THE MARRIOTT HOTEL WITH THE US CHARGÉ D'AFFAIRES ELIZABETH ROOD, WHO SPOKE ABOUT US-GEORGIA RELATIONS AS WELL AS CURRENT ISSUES IN GEORGIA, THE UNITED STATES AND THE WIDER REGION. OPIC MANAGING DIRECTOR KENNETH ANGELL PRESENTED AND DISCUSSED THE TRANSITION FROM THE OPIC TO THE DFC (DEVELOPMENT FINANCE CORPORATION) AND THE NEW FINANCING AND INVESTMENT OPPORTUNITIES THAT THIS WILL CREATE. MEMBERS THEN HAD A Q&A SESSION WITH THE TWO SPEAKERS.

NDI PRESENTS JULY POLL FINDINGS TO AMCHAM MEMBERS

THE NATIONAL DEMOCRATIC INSTITUTE ORGANIZED A PRESENTATION OF THE FINDINGS OF THEIR JULY 2019 POLL FOR AMCHAM MEMBERS AT THE HOLIDAY INN ON SEPTEMBER 26. COUNTRY DIRECTOR LAURA THORNTON PRESENTED ON THE RESULTS OF THE SURVEY, LOOKING INTO ECONOMY, WOMEN'S POLITICAL PARTICIPATION, FOREIGN POLICY AND CURRENT EVENTS. SURVEY RESULTS REFLECTED DATA COLLECTED BETWEEN 13-29 JULY, 2019, WITH A NATIONWIDE REPRESENTATIVE SAMPLE (EXCLUDING THE OCCUPIED TERRITORIES). THE PRESENTATION WAS FOLLOWED BY A COCKTAIL RECEPTION.

NEW MEMBERS

Best Western Tbilisi City Center
Corporate A Member

The hotel is situated in the perfect location in the city's most prestigious part, ensuring the ease to reach any part of the city - be it a business meeting or a tourist attraction in ancient Tbilisi. The best shopping spots are also a short stroll away. Guests can't leave without tasting red wine accompanied with Georgian dishes and appetizers.

www.bwtbilisicitycenter.ge

DAI Global LLC (Implementer of the USAID Economic Security Program)
Corporate A Member

The purpose of the USAID Economic Security Program is to accelerate broad-based growth of sectors outside of agriculture that show strong potential to create jobs, to increase incomes, to increase micro, small, and medium enterprise (MSME) revenues, and to support diversification to more productive economic activities, including tourism and up to three additional sectors. During the next five years the program will create at least 4,000 new jobs, support at least 600 MSMEs, increase sales of assisted enterprises by $50 million, and leverage $15 million in partnerships leveraged through partnerships.

www.dai.com

Dasta Records Management
Corporate A Member

Dasta is the first professional records management company in Georgia and was founded to solve the immediate need for world class document storage, digitization, and destruction services in the country. With a Tbilisi-based team, a trusted network of international partners, and a modern records management facility, Dasta is committed to providing tangible benefits for every client: cost savings, regulatory compliance and the ability to reduce operational burdens.

www.drm.ge

Hertz Georgia
Corporate A Member

Hertz Georgia's main working frame is short-term rental, aimed for tourists - visiting Georgia. Although the company operates on an operational leasing as well as for corporate clientele (for long-term partnerships). The company promotes though the web-site (www.hertz.com.ge) as well as though mailing. The company has four offices in Tbilisi: Tbilisi International Airport office, main office in hotel Radisson and two offices on Meidan Square. With over 155 vehicle-fleet and 90 employee under the company, Hertz Georgia is permanently growing, thriving for the betterment of provided service.

www.hertz.com.ge

NEW MEMBERS

KK&Partners
Corporate B Member

KK&Partners is a full-service law firm registered in Georgia. We use our knowledge of local markets and our familiarity with best international practices to provide our clients practical solutions that can be implemented wherever their business takes them. Our team has been a leader in the local legal market for more than a decade and has been involved in nearly every major transaction in that period. We have a strong litigation section providing support in numerous high-profile cases.

www.kkpartners.ge

Element Construction
Corporate B Member

Element Construction was founded in 2007. The company's profound experience is a guarantee of reliability, credibility and long-lasting cooperation. Element Construction offers its customers reasonable, optimal and modern solutions in the planning, execution and management stages of construction projects. The company cooperates with a number of local and international brands.

www.ec.ge

Conse LLC
Corporate B Member

Based in Tbilisi, Conse Law Firm is a newly established law office driven by the desire to bring innovative approaches to Georgian legal market. Conse Law Firm concentrates on corporate law, gambling law, telecommunications, intellectual property and information technology law, Fintech, energy and infrastructure projects, corporate and project finance, financial services and immovable property transactions.

Lawyers at Conse Law Firm come from wide range of backgrounds and experience, enabling them to be commercially aware, deliver a broader perspective and bring distinctive quality and value to the table. The firm practices sector-based approach and looks at legal problems of its clients in the context of their sector. In Conse, it is recognized that every client is different and their individual needs are paramount.

conse.ge

VBAT Law Firm
Corporate B Member

Working languages of VBAT are Georgian, Russian, English, German and Italian that enables the firm to serve both local and foreign clients with an equal success. Legal activities of VBAT are not limited to Georgian legislation - VBAT offers legal solutions in Georgia and abroad, conducting legal proceedings in Georgia and abroad in arbitration tribunals and international courts. Activities of VBAT include due diligence, preparation of legal opinions, contracts and other types of legal documentation. VBAT represents and defends interest of its clients in courtrooms, at negotiation tables, vis a vis the state and private organizations.

vbat.ge

Mr. Voisin, Jean-Patrick
Individual Member

Mr. Voisin holds several board positions in various companies in Georgia: Georgian Real Estate and Development (developer of residental projects), New Construction Company (contractor), Anaklia Develppment Consortium (developer of Anaklia deep sea port).

AMCHAM RAFTING DAY TRIP

AMCHAM ORGANIZED A RAFTING DAY TRIP ON AUGUST 10 FOR MEMBER COMPANY REPRESENTATIVES AND THEIR FAMILIES. AFTER RAFTING ON THE ARAGVI RIVER GUESTS HAD THE OPPORTUNITY TO NETWORK AND HAVE FUN OUTDOORS AND ENJOYED BBQ AND DRINKS IN THE COMPANY OF FRIENDS AND FAMILY.

BACK TO BUSINESS COCKTAIL RECEPTION AT MOXY HOTEL

AMCHAM GEORGIA HOSTED A BACK TO BUSINESS COCKTAIL RECEPTION FOR AMCHAM MEMBERS AT MOXY HOTEL ON SEPTEMBER 13, FOLLOWED BY A FAREWELL RECEPTION FOR MS. MOLLY CORSO. SHE HAS BEEN WORKING AS CHIEF EDITOR OF INVESTOR.GE FOR 13 YEARS. AMCHAM PRESIDENT MICHAEL COWGILL GREETED GUESTS AND THANKED MOXY HOTEL FOR HOSTING THE RECEPTION. AMCHAM PRESIDENT AND OTHER BOARD MEMBERS EXPRESSED THEIR GRATITUDE TO MS. MOLLY CORSO FOR HER CONTRIBUTION AND SUPPORT TO AMCHAM AND INTRODUCED THE NEW EDITOR MR. ARI NEUMANN. MEMBERS USED THE OPPORTUNITY TO RECONNECT WITH FRIENDS, COLLEAGUES AND FELLOW REPRESENTATIVES OF MEMBER COMPANIES AND ENJOYED DELICIOUS FOOD AND DRINKS BY MOXY.

SATURDAY BBQ FOR AMCHAM MEMBERS AND FAMILY

EXECUTIVE DIRECTOR OF AMCHAM GEORGIA GEORGE WELTON HOSTED A BBQ FOR AMCHAM MEMBERS AND FAMILY ON AUGUST 24 IN TSAVKISI. MEMBERS USED THE OPPORTUNITY TO SPEND TIME WITH THEIR FAMILIES AND COLLEAGUES, ENJOYED A DELICIOUS BARBECUE, A LIVE BAND AND A BOUNCY CASTLE AND ENTERTAINMENT FOR CHILDREN.

Board Of Directors 2019

R. MICHAEL COWGILL
PRESIDENT

SARAH WILLIAMSON
FIRST VICE-PRESIDENT

IRAKLI BAIDASHVILI
VICE-PRESIDENT & TREASURER

LASHA GOGIBERIDZE
DIRECTOR

BADRI JAPARIDZE
DIRECTOR

STEVE JOHNSON
DIRECTOR

OTAR KIPSHIDZE
DIRECTOR

AmCham Executive Director
George Welton

Editor in Chief
Ari Neumann

Copy Editor
Kay Undis

Marketing & Promotion
Nini Kapanadze

Promotional Design
Levan Baratashvili

Magazine Design and Layout
Giorgi Megrelishvili

Writers
Lika Jorjoliani, Ernie Piper IV, Kay Undis, Sally White

Special thanks to all the contributors to the magazine, especially our member companies for their contributions, AmCham Georgia staff and all our contributors.

This magazine would not be possible without your help.

SERGI KOBAKHIDZE
DIRECTOR

KETTI KVARTSKHAVA
DIRECTOR

CHRIS SCHLUETER
DIRECTOR

SANDRO SHELIA
DIRECTOR

BETSY HASKELL,
FOUNDING ADVISOR

GEORGE WELTON
EXEC. DIRECTOR

ELIZABETH ROOD
EX-OFFICIO MEMBER

AmCham Georgia Patron Members:

© The American Chamber of Commerce in Georgia, 2018
All rights reserved. No part of this magazine may be re-printed, or reproduced or utilized in any form or by electronic, mechanical or other means now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system without permission.
The opinions expressed in this magazine do not reflect the opinion of the American Chamber of Commerce in Georgia nor its Board Members or staff, unless otherwise stated. AmCham Georgia neither endorses, nor can be held liable for any eventuality arising from the use of any product or service advertised within the pages of this issue.

Investor.ge is printed by CEZANNE

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

amcham@amcham.ge
editor@amcham.ge | www.amcham.ge

www.investor.ge

Get a viewpoint on tomorrow's opportunities

Great ideas are just the first step; you also need a plan for action.
That's why we only bring innovative solutions with a pragmatic edge.
We help you balance what you need now with what you need for the future.

grantthornton.ge

Grant Thornton | An instinct for growth™

Audit | Tax | Advisory

© 2019 Grant Thornton Georgia - All rights reserved. "Grant Thornton" refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

BGI is Georgia's leading independent full-service law firm, top-ranked in every service area, by every international legal directory that covers Georgia (Chambers Global, Chambers Europe, PLC, Legal 500 and IFLR1000). Our practice offers unparalleled diversity and breadth in its ability to handle multiple major mandates at the same time as well as to guide clients through Georgia's fast-paced economic transition and increasingly regulated statutory framework.

BGI LEGAL

EXPERTISE. EXPERIENCE. EFFICIENCY.

For more information contact BGI partners
Sandro Bibilashvili (sandro.bibilashvili@bgi.ge) or
Lasha Gogiberidze (lasha.gogiberidze@bgi.ge)
18, Rustaveli Avenue, 0108 Tbilisi, Georgia
Tel.: (+995 322) 47 07 47

WWW.BGI.GE

Challenging the status quo in Real Estate.

Dentons. Now the world's largest global elite law firm.*

大成 DENTONS

dentons.com

© 2019 Dentons. Dentons is a global legal practice providing client services worldwide through its member firms and affiliates. Please see dentons.com for Legal Notices.

*Acritas Global Elite Law Firm Brand Index 2013-2018.

Otar Kipshidze
Georgia Managing Partner
otar.kipshidze@dentons.com

Avto Svanidze
Partner
avto.svanidze@dentons.com

Dentons Georgia LLC
10, Melikishvili Street,
Tbilisi 0179, Georgia
T + (995)32 2509 300
F + (995)32 2509 301