

TOP 10 COUNTRIES FOR MEDALS PER £100BN GDP ● ONCE IN CHINA TWICE IN GEORGIA

ENGLISH ISSUE

GEORGIA

Forbes



THE ROOMSMATE

TODAY VALERI CHEKHERIA RUNS SEVERAL HOTELS IN GEORGIA, A BUSINESS WORTH \$60 MILLION. HIS ROAD TO THAT POSITION WAS NEITHER SHORT NOR EASY.

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BATUMI, GEORGIA

THE ECONOMIC EFFECT OF NATO • THE RISE OF THE RACHAN METAL

ENGLISH ISSUE

GEORGIA

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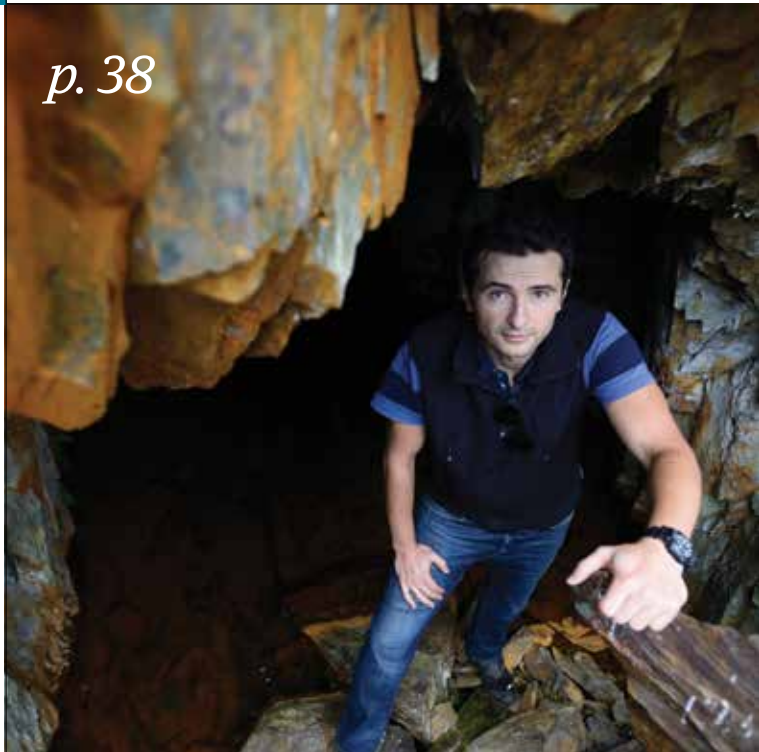
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TENDER ANNOUNCEMENT FOR REVEALING AN ENTITY AUTHORIZED TO ORGANIZE AND CONDUCT A LOTTERY IN GEORGIA

THE MINISTRY OF FINANCE OF GEORGIA ANNOUNCES A TENDER FOR REVEALING AN ENTITY AUTHORIZED TO ORGANIZE AND CONDUCT A LOTTERY IN GEORGIA

1. Ministry of Finance of Georgia (Address: 16, Gorgasali St., Tbilisi, 0114, Georgia) announces a tender to reveal an entity authorized to organize and conduct a lottery in Georgia in line with a Law of Georgia on Lotteries, Gambling Business and Gain-Generating Games.
2. Bids are welcome from any and all interested legal entities, incorporated under the jurisdiction of Georgia.
3. The successful bidder will be granted an exclusive right to organize and conduct a lottery in Georgia for 10 years from the date of the signing of an agreement.
4. Bidders shall submit their bids in English in 2 (two) sealed envelopes (Envelope N1 and Envelope N2) from 09:00 to 18:00 on December 12, 2016 at the following address: MOF HQ at 16, Gorgasali St., Tbilisi 0114, Georgia.
5. Information on the documents to be submitted by the bidders is given in the tender documentation in Georgian and English languages. Interested parties may obtain it from the day of public announcement including December 09, 2016, 18:00, at the following address: Ministry of Finance of Georgia (16, Gorgasali St., Tbilisi, 0114), Tender Committee Office, also from the website of the Ministry of Finance of Georgia – www.mof.ge, or directly from lottery.mof.ge.
6. Bids will not be accepted and will not be assessed if and when the bidder does not provide all documents and information, requested in the tender documentation in two envelopes by the deadline set in the 4th paragraph of the present announcement. Also, in the case if any document turns out to be false or does not meet the conditions required by the tender documentation.
7. Any interested person may approach the tender commission with questions and request for clarification on tender documentation via the following E-mail: lottery@mof.ge



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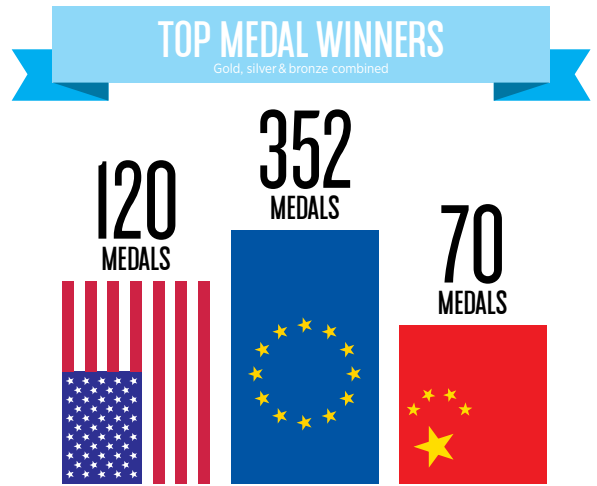
**SAKMIANI
DILA**

(BUSINESS MORNING)

07:55-11:00 AM

LeaderBoard

RIO 2016 was the most expensive in the 120 years of history of the Olympic Games. TV companies have paid more than \$4bn to broadcast the 19-days sports festival. While eleven global sponsors bankrolling the event had a combined market value of over \$1.5trn. More than 10,000 athletes, representing 207 nations, competed in 31 sports in Brazil, 306 medal sets were awarded throughout the Games. 350mm people watched the opening ceremony, while active media engagement was 3.7bn.

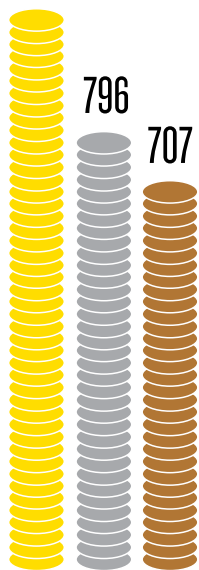


COUNTRIES WITH THE MOST MEDALS COMPARED TO THEIR ECONOMY

Top 10 countries for medals per £100bn GDP



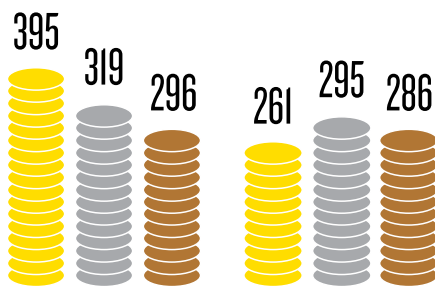
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ALL-TIME MEDAL TABLE

● GOLD ● SILVER ● BRONZE

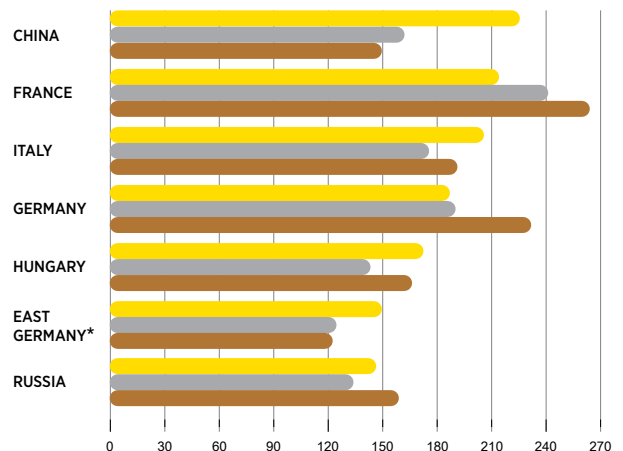
*FORMER OLYMPIC COUNTRIES

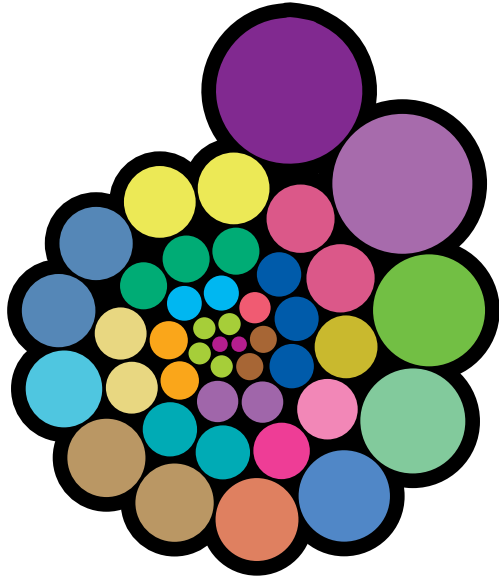


UNITED STATES

SOVIET UNION*

GREAT BRITAIN





A MEASURE OF OLYMPIC SUCCESS

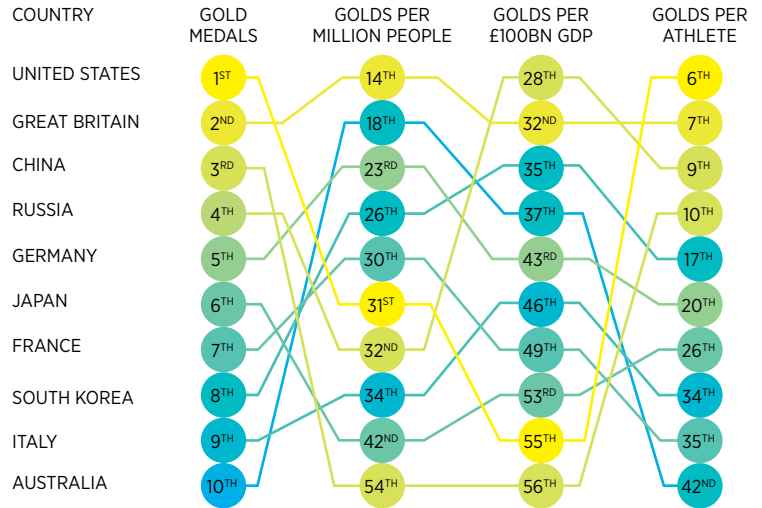
Medal points per million population

1	JAMAICA	8.7
2	NEW ZEALAND	8
3	CROATIA	5.1
4	DENMARK	4.5
5	HUNGARY	3.4
6	AZERBAIJAN	2.8
7	NETHERLANDS, AUSTRALIA	2.5
8	GEORGIA	2.4
9	GREAT BRITAIN, SERBIA	2.2
10	SWEDEN, CUBA	2.1
11	SWITZERLAND, SLOVAKIA	1.9
12	BELARUS	1.6
13	KAZAKHSTAN	1.5
14	CZECH REPUBLIC	1.3
15	GREECE, FRANCE	1.2
16	GERMANY, BELGIUM	1.1
17	CANADA, ITALY, SOUTH KOREA	0.9
18	UZBEKISTAN, RUSSIA, UNITED STATES	0.8
19	SPAIN, KENYA	0.7
20	JAPAN, NORTH KOREA	0.6
21	POLAND, UKRAINE	0.5
22	SOUTH AFRICA	0.4
23	COLOMBIA, ARGENTINA	0.3
24	BRAZIL, IRAN, THAILAND, TURKEY	0.2
25	ETHIOPIA, CHINA	0.1

ALTERNATIVE MEDAL TABLE

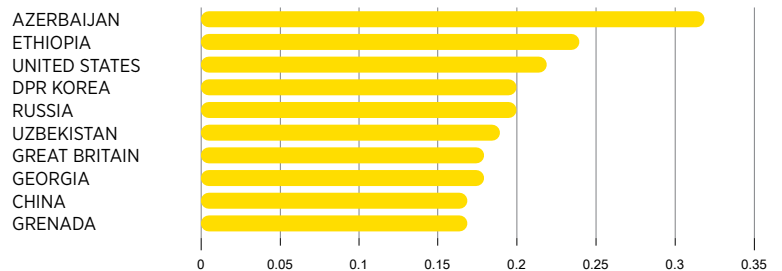
How the top countries rank for population, GDP and athletes

NUMBERS SHOWN ARE THE OVERALL RANK AGAINST ALL 87 COUNTRIES THAT RECEIVED MEDALS



COUNTRIES WITH THE MOST MEDALS PER ATHLETE

Top 10 countries for medals per athlete



WORLD RECORDS WERE BROKEN 27 TIMES IN RIO

Only seven Olympic sports – archery, athletics, modern pentathlon, shooting, swimming, track cycling and weightlifting – have official world records



SWIMMING
X8



WEIGHTLIFTING
X8



TRACK CYCLING
X7



ATHLETICS
X3



ARCHERY
X1



THOUGHT LEADERS

ZAZA ABASHIDZE

Georgian Tourism Development Strategy 2025



VERY LITTLE TIME IS LEFT before the completion of a one-year working process, whereby, following the Prime Minister's final approval, "National Tourism Development Strategy 2025" will be adopted, and the society will have a chance to see it.

The document was developed in collaboration with the government, the private and the non-governmental sectors. In it we can see plans for sustainable development of the industry, as well as a 10-year action plan for increasing income and work places. The analysts of the World Bank and the international consulting company "Solimar International" were involved in the working process, and their recommendations are fully considered in the document. It is also of much significance, that throughout the year, consultations were held with a wide range of organizations and specialists, including tour operators, transportation companies, investors, units responsible for protected areas and cultural heritage monuments, as well as representatives of central and local governments, in order to fully address the interests of all stakeholders.

As for the content, the document is divided into two parts. The first part gives us detailed results of the situational analysis, including the increase of the importance of tourism, as well as identification, research and analysis of the main interfering factors, and possibilities for maximal payoff of the investment. The second part combines recommendations of the work group and the action plan for strategy implementation, which also defines the units responsible for different activities, implementation of the timeframe, and the target rate.

One of the main objectives of "Strategy 2025" is

to attract tourists with high-paying ability from the EU, North America and other neighbouring regions. In order to achieve the above-mentioned goal, the implementation of the following 8 steps is planned: 1) protecting and improving Georgia's natural and cultural heritage; 2) using Georgia's natural and cultural heritage assets for unique and authentic travel impressions; 3) increasing competitiveness through offering world class travel services; 4) attracting tourists from high-paying markets through an efficient marketing and informational campaign; 5) improving data gathering and analysis, and evaluating possibilities in the tourism field; 6) improving the business environment in order to increase foreign and local investments; 7) increasing government and private investments in tourism; 8) establishing partnerships between the government, the tourism industry, non-governmental organisations and communities in order to achieve the abovementioned objectives.

According to the document, the important role to play has the implementation of infrastructural projects and increase of the share of tourism in the national economy. Within the next 10 years, as a result of the increased amount of money, spent by the visitors, the contribution of tourism to the Georgian economy should increase significantly. In particular, the document envisages a large-scale increase of the income received from tourism in the Gross Domestic Product (GDP) from current \$1.8 bn to \$5.5 bn.

It should be considered that besides Georgia's typical traditional trends, such as ski or marine tourism, it is planned to develop and promote relatively new


fields, such as cultural-educational, recreational, health and spa, adventure, agriculture and MICE tourism. Georgia has huge resources in these areas, which will be promoted by the Government in the coming years.

We spoke to the Head of the International Relations Department of the National Tourism Administration Tornike Zirakishvili on "Strategy 2025" and about the objectives to be achieved in the future. According to him, the main objective of the Tourism Administration is to increase the number of foreign tourists. According to the data, the total number of international travellers entering Georgia in 2015 was 5.9 million, and based on the strategy, by 2025 it is planned to continue the increasing trend and to reach the 11 million mark. Furthermore, he added that improvement of the quality of service and infrastructural conditions will increase the amount of money spent by the tourists and will augment the role of tourism in economics.

In 2008, an analogous document was created by the National Tourism Department, which was evaluated while developing the current document. According to the then-representatives of the National Tourism Administration, the previous document was more volumetric and less pragmatic. The newly developed strategy is oriented towards rapid practical steps, which gives the opportunity to achieve the objectives in a more efficient and timely manner.

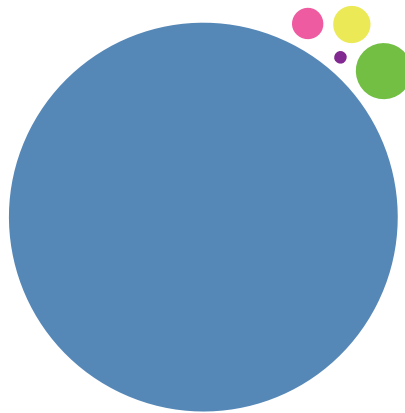
According to the creators of the strategy, the main and fundamental parts will be left unchanged, but there are some parts which may be reviewed and re-evaluated in the future. This is due to the dynamic character of the document.

"National Tourism Development Strategy 2025" includes the 10-year vision for the whole country, but a total coverage of all necessary areas is impossible. For this reason, it is planned to develop several documents with narrowed directions, based on the main document, which will support the tourism sector more efficiently.

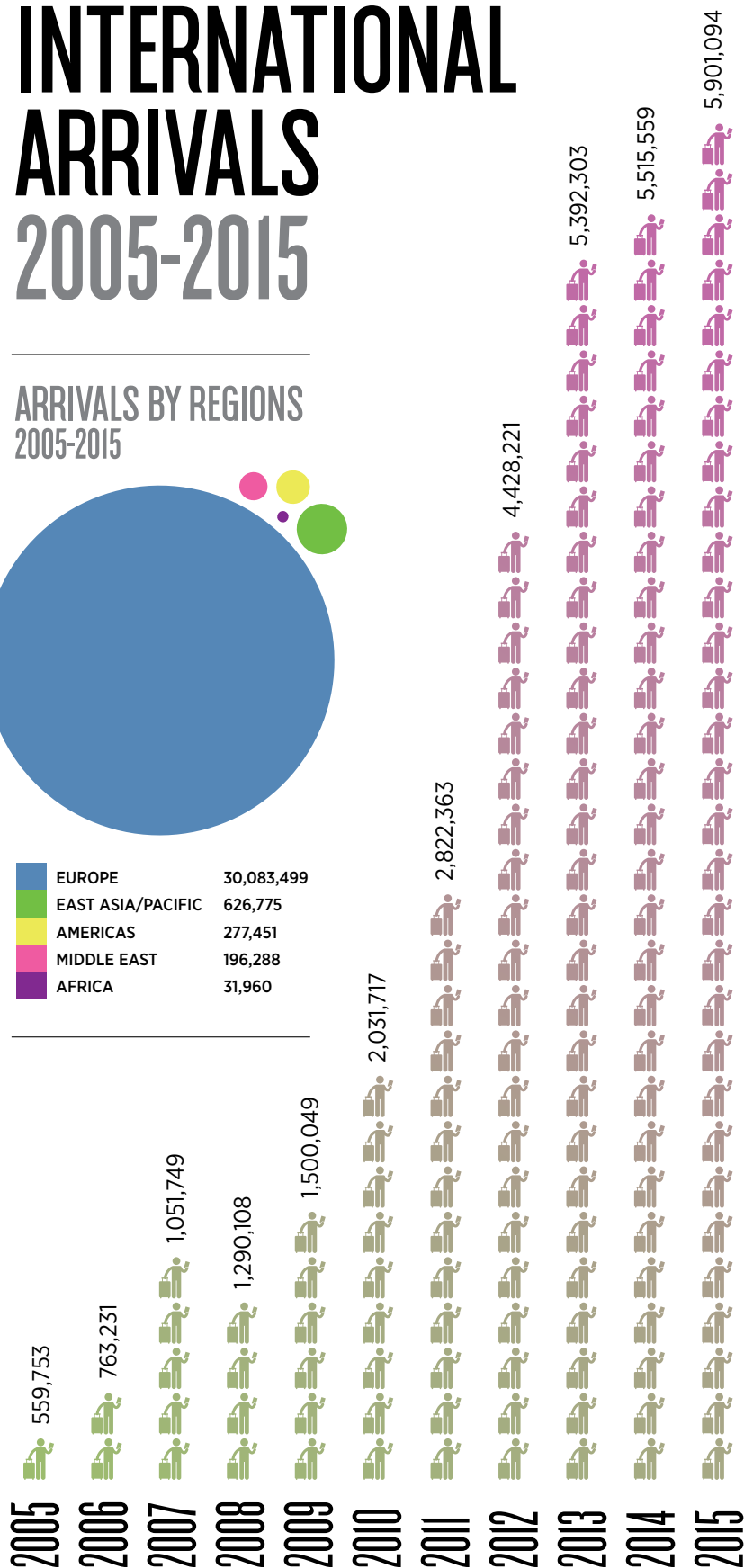
According to the representatives of the Tourism Department, the document created for the development of national tourism will soon be approved in its final form, and its scheduled review is planned 5 years after its adoption. 

INTERNATIONAL ARRIVALS 2005-2015

ARRIVALS BY REGIONS 2005-2015



EUROPE	30,083,499
EAST ASIA/PACIFIC	626,775
AMERICAS	277,451
MIDDLE EAST	196,288
AFRICA	31,960





THOUGHT LEADERS

KETEVAN BUADZE, GIGLA MIKAUTADZE - DEVELOPMENT STRATEGY

Pension Saving Scheme

New tax for employers

AFTER WINNING THE 2012 PARLIAMENTARY ELECTION, the Georgian Dream announced that reforms to the pension system would be one of its central goals. "A gradual transition to a compulsory saving pension scheme will decrease the financial pressures caused by unsustainable increases in basic pensions," reads the Social-Economic Development Strategy - Georgia 2020. However, the implementation of the scheme has been postponed several times. According to the latest version of the strategy, the transition to the new pension scheme won't occur until the 3rd quarter of 2017, as the remaining months of 2016 will be completely dedicated to parliamentary deliberations and the creation of a relevant legal base for the system. According to the existing concept, the monthly contribution to the pension fund will amount to 6% of an individual's salary, and will be proportionally distributed among the employer, employee and the state, based on the following principle: 2%+2%+2%. The 6% contribution will flow into a pension fund that will be administered by a non-commercial pension fund established by the parliament. The fund will have a board of directors that will be elected on professional grounds. The board of directors will be responsible for determining and approving the investment strategy. Based on the results of the tender, assets will be transferred to the asset managing company.

Initially, pension reform was based on the principle of compulsory participation. However, the current version of the reform contains a voluntary/optional concept. Namely, at the initial stages of the reforms, all employed citizens will automatically become part of the pension saving system and but will have the choice to opt-out. After three years, those who chose to opt-out will again automatically become part of the pension saving system and will be able to return on their own will.

Although the reform intends to create a semi-compulsory pension saving scheme for workers, the scheme is completely mandatory for employers. Therefore, if the employee opts to participate in the scheme, it is mandatory that the employer makes a contribution to the fund too. Does this model represent defacto indirect tax increase employers? Is the contribution made by the employer in the amount of 2% of the employee's salary a tax or a payment equal to a tax? And what preconditions should be met in order for this 2% to qualify as a tax?

Ever since the country declared its independence, Georgian tax legislation has never included payment into a pension saving fund. However, in 1997, the Tax Code of Georgia had a social insurance tax that had a similar function. Social security tax was a compulsory contribution to state programs such as the formation of the State Social Insurance Fund, medical insurance, unemployment insurance and employment assistance programs. The same code included a precise definition of the taxpayers, wage rates and also natural persons' income from their economic/business activities.

The Tax Code of Georgia provides the following statutory definition of a tax - it is a compulsory, unconditional cash contribution to the budget made by the taxpayer based on its compulsory, inequivalent and unrequited nature. It should be noted that the Organization for Economic Cooperation and Development (OECD) provides the same definition for the term 'tax'. Despite the fact that Georgia is not a OECD member state, the conventions and studies conducted by this organization are held in a very high esteem. We will attempt to analyze the payment defined by the new reform based on the study (International Comparisons of Tax Levels: Pitfalls and Insights) conducted by the OECD:

INEQUIVALENT, UNREQUITED PAYMENT/ CONTRIBUTION

'Unrequited' is used in the sense that benefits provided by the government to a taxpayer are not in proportion to the payments made by that taxpayer. Many borderline cases arise with regard to passport fees, driving licenses, radio and television licenses, when public authorities provide the service, in exchange for fee. It is difficult to decide whether they should be treated as taxes or as non-tax revenues. An attempt to make this distinction has been made in the interpretative guide to the OECD Revenue Statistics, and the amount of revenue affected by any remaining incomparability is likely to be slight. In the national accounts, these fees are treated as taxes when paid by enterprises and as non-tax revenues when paid by households. The OECD tends to take the view that such fees are generally not intended to raise revenue, but to cover costs, and so should not be regarded as taxes.

CONTRIBUTION TO BUDGET

According to the OECD, if the contribution/payment goes to the budget of the central or local government, it undeniably qualifies as a tax. Levies paid to the church are also considered as borderline cases. As for social security contributions, they are paid to the central budget and qualify as taxes.

COMPULSORY CONTRIBUTIONS

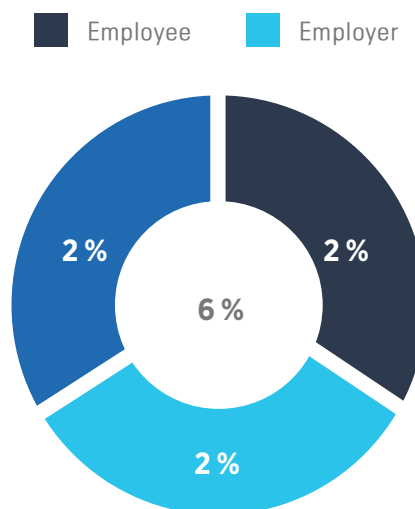
According to the OECD, if social security contributions are compulsory, then they qualify as taxes. Under certain social security schemes - for example, Dutch health insurance - contributions are compulsory up to a certain income level and then become optional. In this case, the contributions paid by the taxpayers below the ceiling are treated as taxes, but those paid above the ceiling are considered to be voluntary and are not treated as taxes. In the United Kingdom employers have the choice of contributing to a public pension scheme or setting up a private scheme, which provides at least the same level of benefits. Contributions to the public schemes are regarded as compulsory and therefore qualify as taxes. Private pension schemes are not considered taxes since they are optional.

Based on the aforementioned study, and given the fact that the 2% contribution stipulated by the new pension reform is a compulsory, unrequited payment made by the employer to the state fund, this 2% must be classified as a tax. Consequently, since the concept of a pension-saving scheme implies an increased tax burden on an employer, it should be subject to a referendum.

A new type of common-state tax, except for excise tax, may be adopted or the upper limit of the current rate may be

CONTRIBUTION TO A PENSION SAVING FUND

TOTAL: 6% OF THE SALARY



increased by a type of common-state tax only though a referendum, except for the cases prescribed by organic law. - Constitution of Georgia; Article 94(4)

The introduction of a new tax without a referendum should be considered an 'illegal tax' and violates not only this particular article of the Georgian Constitution, but also the right to property, since each 'illegal payment' is considered as an infringement on the right to property guaranteed by Article 21 and the right to free enterprise in Article 30. The state is allowed to impose a compulsory contribution to the pension saving fund without a referendum only if it reduces the income tax rate to 18% and by doing so does not increase the tax burden

Introduction or change of a tax shall not be deemed an introduction of a new type of common-state tax or an increase in the marginal rate if the introduced or changed tax represents an alternative to the current tax or replaces the current tax and at the same time does not increase the tax burden. - Constitution of Georgia, Article 94 (5)

It is clear that a compulsory, unrequited and inequivalent contribution to any state fund must be equal to the tax in order to prevent the government from increasing the tax burden and bypassing the constitution of the country. However, if a referendum is inevitable, it would be reasonable to hold this referendum in October to coincide with the Parliamentary election in order to save state budget money and determine the position of Georgian citizens before the Parliament begins to deliberate over the new project. ^F



THOUGHT LEADERS

NIKA NANUASHVILI - CURRENT EVENTS

I - Consumer



WHEN I SETTLE ON A TOPIC to write about, I always try to use a simple, familiar reference. This makes my job easier, and it also makes the reader feel more comfortable. So I'll stick with this formula, and begin this article by telling a very common, but rather trivial story.

A few weeks ago, my fairly old, but ever-faithful car broke down. Even after extensive consultations with various 'specialists' and 'experts', the cause of the car's malaise was still a mystery. In the end, I was offered an expensive procedure and instructed to replace a very costly part. But there was a caveat: there wasn't a 100% guarantee that this would solve the problem.

Fortunately, I didn't rush things, and instead took some time to analyze the car's 'symptoms'. I went for a second opinion, and consulted another 'expert'. In retrospect, my unhurried decision was a wise one: in spite of the severe symptoms, the cause of the car's failure turned out to be so trivial and insignificant, that it cost me next to nothing to repair it (in fact, it only took twenty minutes to fix the car).

This situation probably rings bells with many of you.

I had the same feeling a few days ago when I was listening to speeches pertaining to the Consumer Protection Draft Law in the Georgian Parliament. I listened to this pathos, which assured us that up until now, there was no legislation to protect consumer rights in the country. In other words, previous to this new bill, everything was bad, and consumers had no rights whatsoever they explained. However, tomorrow when the parliament turns this bill into an actual law, things will change for the better.

Those of you who listened to these speeches like me and were thrilled with such pathos, will find the information below very disappointing:

We consumers make dozens of small or relatively large transactions on a daily basis - we purchase products and/or services every day. As such, we're told that

something is missing and that something is not working properly in the sphere of consumer rights protection.

Let's start with what we are missing - Georgia does not have a Consumer Rights Protection law. That's because the law was abolished in 2012. However, this is only 'partially true', because the old law was canceled and replaced by a more significant and all-encompassing 'Product Safety and Free Circulation Code', which not only sets standards for product safety and quality, but also ensures the free circulation of various products, fair competition, and most importantly, product accessibility for the customer.

In 2012, the government of Georgia adopted the Food Safety Code, which sets even stricter standards for everyday consumer goods. Additionally, we have separate laws, decrees and dozens of other documents that regulate labeling and advertising. This legislation also determines the kinds of products that are permitted for sale, and those that are banned. We also have the civil code, which clearly states my rights as a consumer. For instance, if a seller somehow manages to sell me a faulty product, the seller must unconditionally allow the consumer to return the faulty product and provide the consumer a full refund.

If we delve into the legal nuances more deeply, we will discover that the formal status of the aforementioned 'partial truth' is actually a lie. Put differently, we the consumers have legal rights, as well as mechanism in place to protect these rights. With the assistance of separate agencies and the consumer ombudsmen, the state exercises control in those directions that are most sensitive, and with relatively smaller competition (such as an energy ombudsman as it relates to energy supply).

Is this enough?

To answer this question, let us first evaluate the rights we have compared with the rights of an average consumer in the European Union.

HERE IS A LIST OF THE 10 CORE EU PRINCIPLES FOR CONSUMER PROTECTION:

1. Purchase wherever you wish, whatever you wish (i.e. freedom of choice)

The same applies to the Georgian consumer

2. If it does not work, return it (the right to return faulty goods)

The same applies to the Georgian consumer

3. High security standards for consumers' food and goods

The same applies to the Georgian consumer

4. Know what you're eating

The Georgian consumer also has the right to be informed regarding the contents of a product

5. Contracts should be favorable for the customer

The same applies to the Georgian consumer

6. Sometimes consumers may even change their mind (the right to return, the product applies only to on-line and street shopping)

This only partially applies to the Georgian consumer only (in cases of street shopping)

7. The facilitation of price comparison

The same applies to the Georgian consumer

8. Consumers should not get disoriented (misleading advertisements)

The same applies to the Georgian consumer

9. Protection while you are on holiday

The same applies for the Georgian consumer

10. Efficient compensation regarding agreements beyond the border

This applies to the Georgian consumer only after the country becomes an EU member



As you can see, the Georgian consumer enjoys most of the same rights as its European counterpart, which prompts us to ask a perfectly legitimate question: What is it does not work with us?

The answer to this question lies in another question - if something is 'not working', then why isn't it working?

I recently had a conversation with one of my colleagues about this topic. I asked him a simple question: When was the last time your customer rights were violated? He could not remember the exact time, nor could he recall the details of the incident. However, he was convinced that his customer rights were systematically violated at some point. Then I asked him a second question: which government body did he address to complain about the breach of his customer rights?

His answer?

None. He had done nothing to restore his rights. That was the answer.

If you have a car and you don't know how to drive, does that mean that the problem lies with your car? Or maybe not knowing how to drive automatically means that you cannot own a car?!

The answer to our main question lies here. Even EU citizens do not have a magic wand that restores their customer rights if they are violated. However, the EU consumer has what we call the 'power of the customer', which means a well-informed customer, motivated and determined to defend his/her customer rights.

It is important to understand that the

power of the customer is not formed by incessantly introducing new laws. Each new law will be just as useless as its predecessor if the law is not exercised.

A couple of months ago I was writing an article about the need to analyze the impact of these regulations. Unfortunately, no one is in a hurry to prepare the necessary legislative framework, and set the system right. However, if there was such a legislative framework, the draft law on the Protection of Consumer Rights would undoubtedly spur many questions. For example: why are we adopting this law, what is not working, why isn't it working, what would change with the implementation of the new law along with the dozens of codes, laws, orders and other decrees that already exist? All of which basically represent a disorganized and 'lost in translation' collection of norms scattered throughout various legal acts. Most importantly, how much would this cost the state, the seller, and ultimately, the customer?

These are not rhetorical questions. Answers to these questions have a price that amounts to five, six and sometimes seven digits. This is the price that we all pay. The absence of answers to such question is at the root of the problem. And this is not just a single case.

I was unable to repair my car until I found the cause of the problem, but I 'had a chance' to listen to the 'experts' and spend lots of money on experiments.

This is not the right way to solve problems. That's just not how you do it. **F**



THOUGHT LEADERS

GIORGI BURDULI

Managerial Challenges of Georgian Leaders



This article is based on my recent research, which evaluates the ongoing leadership practices in Georgia, and identifies the top-five managerial challenges of Georgian leaders in every sector. The research deeply analyzes the root causes of these challenges, and offers progressive solutions based on primary research data obtained from qualitative (interviews) and quantitative (questionnaires) methods, as well as secondary data based on literature related to international best practices.

According to 64% of those surveyed, the number one managerial challenge of Georgian leaders is time management, planning, and organization.

If we listen to time management gurus, it is impossible to plan for the future without having an objective perception of the present. The 'synchronic' nature of Georgian culture plays a significant role in terms of the incorrect time perception and management on the part of Georgian leaders. It is acceptable in our society to administer several tasks simultaneously or synchronically (multi-tasking, changing plans because of specific people, and placing personal relationships above rules and regulations). When time is not perceived objectively, it results in the gradual loss of control over ongoing events. In such cases everything becomes relative as opposed to absolute for any person. The inability to control ongoing events triggers a mechanism whereby blaming everything on other people or forces and being dominated by external Locus Control results. Therefore, typical Georgian leaders are oriented not on action, but rather on reaction, which is forcefully caused by outside fac-

tors pressuring them in real-time. As a result, time is wasted on micro management and low impact decision-making.

According to the research, one of the most productive steps to counter this tendency would be to switch to the western 'sequential' model of time perception and management, which is more practical in terms of doing business. It dictates that the habit of multitasking be minimized as much as possible, and instead opting to administer one task for each time slot. Under such a model it is also unacceptable to make exceptions for specific people, and personal relationships are never elevated above the rules and norms. The next logical step is to strengthen introspection, self-discipline and self-control mechanisms. If one's own behavior patterns and tendencies remain unlearned and unobserved, the risk and probability of repeating the same behavior and mistakes increases exponentially. The next step is to understand that any success or failure is based on one's abilities and attitudes, as well as the product of their own decision making and behavior, which in turn means internalizing Locus Control.

In order to address planning problems, a leader must first be motivated to use their own time effectively. The proper process begins with considering all of the people and factors involved in the planning process. A leader will discover that it is impossible to change the big picture through micro management and still do everything on time. Hence, one must learn to prioritize. The most famous method of prioritizing is Stephen Covey's Time Management Matrix, which underscores the importance of prioritizing tasks in the following order: important and urgent, important and not urgent, urgent and unimportant, and unimportant and not urgent.

A leader's habit of blaming everything on other people and outside factors serves disorder. It gives them the illusion that even if things are planned, other people or forces will intervene and such plans will not see the light of day.

In addition, according to the research, unnecessary people and things play a significant role in the life and work of a typical Georgian leader. In order for a disorganized person to organize their own life and work, they must first say 'no' to everyone and everything not serving productivity. It is also necessary to organize and catalogue one's own physical and digital things, and attach their ends to a constantly synchronizing general form of order, which is easily accessible, controllable, and editable. In order to reach the high end of productivity, it is also imperative to divide a day into creative and administrative blocks of time. The final step is to require the constant evaluation and advancement of one's own methods of time management and automating processes in order to minimize personal intervention in them.

According to 56.3% of those surveyed, the number two managerial challenge for Georgian leaders is listening to others and taking into consideration competent advice The research shows that inferiority complexes are a significant contributor to such



“What if we don't change at all ... and something magical just happens?”

problems among Georgian leaders. These are constantly demonstrated through the building of pyramids of complete obedience via their autocratic management style. Cultural trends like nepotism and High Power Distance also play a significant role in this direction. In addition, we must consider the fact that unlike the West, where personal and professional growth are priorities, our post-Soviet society craves the accumulation of money, status, and power above all else.

Georgian leaders must understand that if they do not listen to others, they will lose touch with reality, which halts personal and professional growth. Before a person is appointed or elected to a leadership position, we must look over their past and try to understand whether the motivation that has fueled them to this milestone of success is healthy or not. It is dangerous when a person that has yet to overcome this complex, is given a chance at a leadership position, and even more so dangerous if he or she is incompetent and the appointment is not merit-based. Such an instance can fuel the leader's vanity and fear of competition, while triggering the process of hiring incompetent and weak-willed employees in order to hide their own incompetence through oppression, silencing, and shaming them.

It is imperative for such a leader to understand that education is a social process

and different opinions, healthy discussion, and criticism are all cornerstones of success. A subordinate to whom leaders do not listen, feels oppressed, disempowered, and demotivated. However, if a subordinate knows that someone is listening, then they bring new ideas, which diversify the knowledge, vision and skills of a leader. The key to overcoming this challenge is to adequately address such cultural and social obstacles. This can be achieved by decreasing power distance in the society, uniformly fighting nepotism and patronage, condemning unhealthy values such as the accumulation of money and power, while promoting accepted leadership values around the developed world, raising the quality of education, as well as personal and professional growth based on best practices.

We must also not forget that asking for help and advice is considered a weakness within Georgian culture. In addition to practical inexperience, local leaders often lack theoretical knowledge, and instead of seeking help and advice, it compels them to switch to the “leader knows everything and is always right” mode. Such a tendency fuels and validates the dominant system of nepotism and patronage in the country.

According to the research, the first step on the road to overcoming this challenge is defeating vanity, envy, and fear of competition, which is almost impos-

sible without overcoming the inferiority complex. During the next stage, a leader must understand that knowing everything is not necessary, and true leadership is achieved through education based on critical thinking, saying no to nepotism and empowering others. The development of critical thinking is first of all achieved through listening to others and considering competent opinions and advice. In addition, it is important to exit the comfort zone created by the influence of local culture and mentality, and to start looking at things from the global perspective; developing interest groups and professional networks, maintaining gender balance, and raising levels of emotional intelligence. All of these can play a crucial role in this direction.

According to 48.9% of those surveyed, the number three managerial challenge of Georgian leaders is lack of vision, and a lack of long and short-term goals

The research made it evident that an absence in collaboration with regard to forming an organization's vision is the main reason behind the existence of this challenge. We must also consider the fact that the business environment was always unstable in Georgia's post-independent history, which has led to a fear of embracing a long-term vision. This is largely because of a narrow planning horizon. Even if someone had formed a long-term vision in business, it would be impossible to know what would happen when a new government came to power - the state could place pressure on any business or even drive it out of the market.

The main key to forming a vision for an organization is the appointment of a competent person to a leadership position. That is because they can assess risks objectively and understand when changes need to be made. It is also necessary for leaders to borrow from globally-established best practices. In the western

developed business world, the correct vision is associated with a 'core ideology' that outlines core values, a core purpose and an 'envisioned future', which outlines 10 to 30 years BHAGs (Big, Hairy Audacious Goals). A leader must understand that all of this is impossible to attain for an organization without the full involvement of human resources, which goes together with the famous saying: "find out where your team is headed and lead it there."

BRYAN TRACY CLAIMS THAT THERE ARE FOUR REASONS THAT PEOPLE DO NOT SET GOALS:

1. They are not serious about achieving things
2. They don't understand the importance of setting goals
3. They don't know how to set goals
4. They fear rejection in the case of failure

In order for the vision to be most effective, it is necessary to be oriented specifically on long-term goals and to embrace the objective assessment of the advantages provided by having such goals, as well as having the ability to handle the fear of possible public criticism. It is also important to depoliticize the private sector, which in turn will provide independence for the Georgian business and orient it on long term goals. Such condition would broaden the planning horizon of leaders, while shifting their focus to free market trends only. The last step is to adopt the most famous goal setting criteria in the modern developed world- the SMART criteria - which are outlined by Peter Drucker and George Doran. SMART is an acronym for goals that must be Specific, Measurable, Attainable, Relevant, and Time bound.

47.2% of the surveyed think that the number four managerial challenge for Georgia leaders is not admitting their own mistakes and not learning from them.

According to the research, typical Georgian leaders hide their mistakes in order to avoid shame and guard their authority and public image. They also don't 'waste time' correcting their mistakes. Other causes of this challenge include the inferiority complex, emotions-based management, lack of pragmatism and diplomacy, avoidance of responsibility, the illusion of knowing everything, an inability to analyze the past objectively and the inability to see the benefits of apologizing, which happens to be the best way of admitting a mistake. The process of apologizing consists of four parts: admitting the mistake, taking responsibility, expressing regret, and making a promise that one will not make the same mistake again.

Very often, apologizing is perceived as an act of weakness within Georgian society, because of high Power Distance. Hence, Georgian leaders often try other methods to correct their mistakes. They display habits such as avoiding responsibility and placing blame on others. As a result, the situation changes temporarily and shallowly - but anger remains within the hearts of subordinates, coupled with the sense of feebleness, and most importantly - demotivation, which sets the leader up for self-destruction in the long run.

The research also sheds light on the fact that even the very few Georgian leaders who admit their mistakes, are unable to learn from them, because they do not analyze the mistake objectively. Such leaders continue to make the same mistakes in the future because they are often dominated by external Locus Control.

When a leader admits to making a mistake, the next step is to objectively analyze its causes, as well as the leader's own role in the affair. If a leader does not analyze

a fact of the past objectively, there is the danger that it might stay in his memory as his own interpretation of a fact. According to a theory by McGill University Professor Henry Mintzberg, only after analysis and objective assessment can a mistake be called an experience. That is how a leader should turn every occurrence into wisdom. Georgian leaders need to understand that mistakes are very human parts of the learning process, and they must be evaluated through internal Locus Control.

According to 45.5% of those surveyed, the number five managerial challenge of Georgian leaders is incompetence (irrelevant skills, education, and experience).

One of the main reasons of the typical Georgian leader's incompetence is the fact that they take on leadership positions not because of their skills, talents, or merits – but rather as a result of nepotism and patronage, which are the main ways of achieving success in Georgia. The dominant value system in our country rewards dependence on others through loyalty, instead of independence and merit based on hard work. In addition, the absence of a gender balance in leadership positions negatively contributes to leadership practices in Georgia. That's because trendy nepotism and patronage greatly favor men over women. The inability of Georgian leaders to make decisions also stands out, since their mentors never empowered them to make decisions in the past: as followers they were only told what to do.

According to the research, in order to avoid having incapable, unskilled, untalented, and unmerited leaders, as well as nepotism and patronage systems in the selection process, it is absolutely imperative to start rewarding individual work, achievement, competence and motivation for self-actualization, switching to internal Locus Control, and empowering others in the Georgian business environment.

THE FOLLOWING SKILLS ARE A MUST IN ORDER TO MAKE SURE A MODERN LEADER IS SUCCESSFUL:

1. **Context** – to grasp the constantly changing global business environment through economic, political, and social trends
2. **Complexity** – to understand the opportunities, risks, and challenges such trends facilitate
3. **Connectedness** – to see through all of the actors and stakeholders in the process and build bridges among them.

As for the education problem, the research clearly shows that there is a lot of demotivation to obtain an education because of the nepotism and patronage that are dominant in the country. We have limited scholarships to study abroad, we use experiments instead of adopting the world's best practices, and even if we do adopt such practices, we do it through the copy-paste method (which just does not work), rather than adjusting foreign practices to the Georgian context.

THE LOCAL SCHOOLS MUST BE ABLE TO PROVIDE ELEMENTARY BUSINESS EDUCATION THAT WILL UNDERSCORE THE EQUAL IMPORTANCE OF THREE PRIORITIES IN ANY BUSINESS:

1. **Customers;** 2. **Shareholders**
3. **Employees**


IT IS ALSO IMPERATIVE TO KNOW AND UNDERSTAND THE THREE MAIN PARTS OF BUSINESS PROJECTS:

1. **Budget;** 2. **Quality;** 3. **Timeline**



It is a trend in Georgian to appoint persons with irrelevant experience to leadership positions, which means that they will have irrelevant ideas and will recruit irrelevant subordinates, which will give them more irrelevant ideas and set up the organization to become a “servant” of irrelevance. Such leaders are of course selected through nepotism and patronage, and they possess the unproductive Soviet mindset, which is directly linked to accumulating and retaining power and the status quo while avoiding personal responsibility. At the same time, Georgian organizations and institutions are weakened and attached to specific cult-like personalities. As soon as these individuals leave their positions, the organizational structure ceases to function.

There are several tested methods of fighting against the recruitment of leaders with irrelevant experience. These methods include strengthening institutions and organizations and freeing them from the influence of specific persons; delegating and empowering mid-level management; intensively getting involved in intercultural dialogue, and the development of the premise of bridging social capital in the country.

With regard to the more general factors, it is absolutely crucial to accelerate economic growth in order to facilitate a healthier, more competitive business environment, which in turn will create the demand for more advanced leadership practices in Georgia. 



AUTHOR:
ELENE KVANCHILASHVILI

Georgia's Position in the Global Energy Game

A short interview with one of the former executives of the Chevron Corporation, Mr. Edward C. Chow regarding Georgia's potential, its attractiveness for Europe, and Gazprom as an alternative.

According to the preliminary data from the first quarter of 2016, Georgia's energy sector is back to being one of the top three most attractive sectors for foreign direct investment (FDI). The government of Georgia said that the temporary loss of this honorary position was due to two main reasons: faulty methodology (e.g. attributing the Shah Deniz project to the Transportation & Communications sector, instead of the energy sector where it belongs), and the expansion of internal investments, while the information concerning its trends are simply unavailable.

In the 21st century, when the most common words used with regard to the energy sector are 'energy independence' and 'security', FDI has special importance - this is how Mr.

Edward C. Chow views these specific statistics. Mr. Chow, the former executive of the Chevron Corporation, is now an expert for the Center for Strategic & International Studies (CSIS). He specializes in oil and gas investment in emerging economies. Over the past two years, Mr. Chow has traveled to Georgia twice at the invitation of the Economic Policy Research Center (EPRC) to participate in international conferences, where his talking points focused on the energy sector, recent changes in the global energy landscape, and Georgia's potential in the energy sphere. Somewhere in between his busy speaking schedule, Mr. Chow still found some time to talk to Forbes Georgia. We managed to conduct a quick interview with Mr. Chow right on the stage of the conference.



PHOTO: JABA CHITDZE

We have often heard that Georgia is one of the most attractive countries in the region in terms of energy. What does this attraction stem from?

The main reason is due to Georgia's transit function, which is determined by its geopolitical location. However, we can view Georgia as an example for other countries in this region, as this is not just about the country's successful reforms. The way these reforms were carried out and the implementation of their progress deserves special acknowledgement. For instance, this experience could be very beneficial for Ukraine, a country that is currently in desperate need of reforms in this sphere.

Do you think Georgia makes use of its energy potential in an effective manner?

I discovered one important trend at the conference: no one argues about the overall strategy. Even the harshest critics focus on the tactical approaches. For example, how can we achieve more results more efficiently and in less time? However, I did not hear any fundamental difference at this conference. One thing is for certain, Georgia's energy policy is fully compatible with the western approach, and there are no apparent fundamental differences in this regard.

Couldn't we argue that there was a fundamental difference in this policy approach when the government of Georgia was harshly criticized for its attempts to deepen its relations with Gazprom?

There is one thing that I would like to mention in this regard. In view of the diplomatic protocol, it was very strange that the Minister of Energy held negotiations with the head of the company. I don't think that ministers in general should talk to the heads of companies. I simply do not understand why anyone should raise Aleksey Miller to

the level of minister.

On the other hand, if the idea behind these negotiations was that the government wanted to find alternative sources of gas, and commercially more profitable proposals, well in that case I can understand this. It is quite possible that the government of Georgia was simply trying to reinforce its trading position with regard to SOCAR, their current supplier, which is perfectly acceptable.

Whether or not these negotiations were transparent enough or whether they could have been managed better, is naturally a separate issue, and you are well aware of the details yourself. However, I do not see any problem with diversifying supply sources.

Even if this had to do with Gazprom, Russia's state machine, which left us without gas one cold winter?

That is exactly why I say that it would have been more acceptable if the negotiations were held between companies and everything remained within a commercial framework.

But wouldn't that simply be self-deception? We all know who Aleksey Miller is, and his relation to Vladimir Putin. Is it possible to draw a line between business and politics in this particular case?

That is exactly what I am saying. I do not see why we should accept the fact that Miller is the face of Putin. I am not picking on Georgia in this particular case. However, to be honest with you, I cannot imagine, for instance, the president of Bulgaria meeting with Aleksey Miller. This is a trap that needs to be avoided. When the negotiations start at the ministerial level on one side and the executive of Gazprom on the other side, how do you raise these negotiations to a higher level?

However, if we look at the results of these negotiations, obviously the government's approach was justified: Georgia did not buy additional gas from Gazprom, while SOCAR softened its terms. The government of Georgia managed to have an impact on SOCAR by displaying interest towards Russian gas.

Therefore, I have no problem with this approach based on my extensive experience participating in commercial negotiations while I was working at the Chevron Corporation.

We began our conversation by saying that Georgia is an attractive country, especially for Europe, since dependency on Russian energy resources is more acute in this region. Why would Georgia still be attractive for Europe if Gazprom is represented in a greater capacity here?

That's an interesting question. I haven't looked at it that way. I believe that in this case, there will be two crucial factors that need to be taken into account: the proportion of Russian gas and the duration of the contract with Gazprom. For the past 20 years, Georgia proved to be a reliable transit country, and it remained so even when it was more dependent on Gazprom. This dependence has dramatically decreased in recent years, which is very good. However, in this case, increasing the gas supply from Gazprom in small doses would be less noticeable.

There have been a lot of discussions recently in regard to Georgia becoming a full member of the European Energy Community. Do you think this is necessary for Georgia, and will full membership serve as an additional mechanism to increase Georgia's energy security?

I am not an expert in this field. However,


it is logical to think that becoming a full member of the European Energy Community will increase investor trust, since they will know for sure that Georgia officially adheres to the internationally-recognized rules. On the other hand, I believe that Georgia deserves additional compensation because of its geopolitical location.

But if we go back to your main question on whether or not this will make Georgia safer, I do not see any direct connection.

Georgia will be more secure if it becomes more attractive via a liberalized market, and it will be more secure if the country has rates that reflect the reality of the market. Better usage of transit potential and more direct investments - these are the conditions that determine Georgia's energy security. The more investors that are interested in Georgia who invest their capital in this country, the more secure you will be. This is because whoever your potential enemy might be, it will be more difficult for your enemy to go against the entire international community.

In your perspective, does Georgia have a reasonable chance of diversifying its energy resources without increasing dependency on Gazprom?

I would consider Iran and Turkmenistan as additional energy suppliers. Generally, I would negotiate with all possible parties so that Azerbaijan and SOCAR are not under the impression that they are the only players on the market.

Nonetheless, I would like to emphasize once again that form matters. In other words, the way you manage the negotiation process and all the related symbolic messages are extremely important. It is very ill-advisable to cede politically important values in the pursuit of alternative sources of gas. 



AUTHOR: TELARA GELANTIA

Tourism: Potential, Reality & Challenges

"2016 is going to be a very successful year for tourism. It's hard to predict the numbers, but we can safely say that Georgia will be hosting at least 6.3 million tourists this year," said head of Georgia's National Tourism Administration Giorgi Chogovadze at the end of his interview with ForbesGeorgia. Chogovadze made no attempt to hide the obvious - in 2016 tourism has become a much larger priority for the Georgian Dream government than in it was previous years.

In just the first five months of 2016, the number of international tourists in Georgia reached a total of 2.1 million, which is 15.3% more than in the same period of last year. From January-May 2016, 782,814 tourists entered Georgia, an 18.8% increase. During this five-month period, the majority of them came from Ukraine (23.8%), Azerbaijan (22%), Armenia (2.8%) and Russia (19.6%).

According to the official data provided by the National Tourism Administration (NTA), this upward trend can also be attributed to the increased number of visitors hailing from EU member states. In January-May 2016, there was a noticeable increase in the number of tourists coming from Latvia (+35%), Italy (+22%), Poland (+15%) and France (+10%).

There has also been a documented increase in the number of visitors originating from countries like India (+335%), Oman

(+329%), Israel (+113%), the United Arab Emirates (+69%), Belarus (+46%), Uzbekistan (+41%), Kazakhstan (+25) and Moldova (+22%). In addition, the Georgian government's decision to relax the visa regime with Iran earlier in this year has had an immediate impact on the number of visitors coming to Georgia from Iran.

Despite the fact that the Georgian government did not take into consideration NTA Head Giorgi Chogovadze's position when they decided to tighten visa restrictions for Iranian citizens a few years back, Chogovadze is glad that the government has since reconsidered the move by once again loosening the visa regime, and making travel easier.

In only five months of 2016, Georgia hosted 25,552 visitors from Iran, a 361% increase compared to the same period the previous year. ForbesGeorgia spoke with a few Iranian tourists who were walking on Shardeni Street recently, and they explained that





PHOTO: REUTERS

Georgia is attractive to them because of its interesting and ancient culture, freedom, and the country's European style laws.

"Compared to Armenia and Azerbaijan, this country is much closer to Europe. People tend to be very open and sociable here. At first, I decided to come to Georgia because my friend highly recommended it. I really liked it, and now this is my second trip to Tbilisi. Since I arrived, I have traveled to Kakheti, and I have to say, it's really a very beautiful place," says Rahim Nassir Baghebani, the Director of the Ronash Fars Sefid company. Baghebani says he plans to visit Georgia a third time, but this time it will be a business trip.

Georgia is the 107th country visited by 74-year-old Iranian Rauf Mareful. "You have a very interesting country. I plan to return here, if you find me a beautiful Georgian girlfriend," says the Iranian tourist jokingly, as he pointed out the things that make foreign tourists feel uncomfortable here. He cites traffic jams, parking

problems, the lack of public bathroom facilities in tourist zones and beggars.

"I could not walk freely on Shardin Street. A child grabbed me by the feet and would not let me go until I gave him money. Then a second child came out of somewhere and asked for money. I heard that these beggars are not Georgians, but this does not change anything. They are not afraid of the police. This is a problem and the government should try to solve this problem somehow," explained Mareful with a touch of an anger in his voice.

The NTA is well aware of these problems and knows that the government needs to take measures to solve them. Chogovadze says that they are working with the Ministry of Interior now to resolve these issues. "In many cases, these are not just people who ask for money, but their behavior is on the verge of hooliganism. Unfortunately, at this stage, we do not have the legislation in place



to effectively deal with this problem,” Chogovadze notes.

Those who have had an opportunity to observe how the infrastructure and priorities of the Georgian tourism sector have developed over the past few years, have a milder approach to such problems. Country Director for Steppes Travel, Paul Craven is one of them. He has 15 years of experience arranging trips to Georgia. He told ForbesGeorgia that the country has undergone major changes during this time.

“There was a lack of decent accommodation, the electricity supply was often interrupted, and the roads were in poor condition. The roads are much better now, which means there are less travel-related inconveniences for visitors, and they can see more things. Visitors can stay at a number of international hotels in Tbilisi, Borjomi, Batumi and some other cities. There are small hotels and guesthouses everywhere,” says Craven, who is originally from Great Britain. However, Craven acknowledges that there are some

problems that remain unsolved. “There are no direct flights from the United Kingdom to Georgia, and flights from other locations operate very late. Elderly people find it hard to navigate the streets here as well, and in most places, it’s almost impossible to get around in a wheelchair,” he notes.

NTA Head Giorgi Chogovadze told us that the government is already working to solve a majority of these problems.

“Today the infrastructure in Tbilisi and Batumi is more geared towards accommodating disabled tourists than in other parts of the country. However, we’ve identified certain places in Kakheti where we can arrange tours for those with disabilities. By the end of 2016, the infrastructure of Mtskheta will be fully adapted to receive tourists with disabilities. Additionally, we are currently working on a project to improve the infrastructure in Tskaltubo in order to make it a desirable recreational destination for visitors with disabilities,” says Chogovadze.

Furthermore, in order to allow tourists to travel more comfortably in the various regions of Georgia, the National Tourism Administration plans to build rest areas on highways, like the one in Gori.

"We are planning to build rest areas in the following three main routes: Tbilisi-Kakheti, Tbilisi-Kazbegi and Tbilisi-western Georgia. At the initial stage, the infrastructure will be built by the state, since the private sector will have less interest. However, in the future, these facilities might be handed over to private businesses for management," Chogovadze explains.

Improvement in the quality of service is another challenge that needs to be tackled, and this time it is the prerogative and responsibility of the private sector to accomplish this. The NTA provides small and medium businesses with occasional training courses for employees. However, representatives of the private sector believe that development of the tourism industry requires an increase in tourist flows at a faster pace, and this requires targeted marketing campaigns.

Head of the Gudauri Heli-Skiing Tour Company Vakhtang Asatashvili told *Forbes Georgia* that Eastern Europe, Asia and North America remain untapped markets for Georgia that have lots of potential.

"Businesses tend to increase their services when there is an increased demand for a particular service on the market. Despite the fact that there is a lack of qualified workers in our country, small and medium businesses are reluctant to risk and develop their activities until the customer comes knocking on their door. In order to create additional jobs, generate economic growth and develop small and medium businesses, our government needs to ensure steady growth in tourism. At the present, the government's resources are largely concentrated on the Russian market. But rather than preventing risks, this growing dependency on the Russian market is actually creating more risks," notes Asatashvili.

In fact, according to the official data, most of the NTA's marketing campaigns are aimed at former Soviet states like Russia, Ukraine, Azerbaijan, and Kazakhstan. However, there are online ads about Georgia available in Italy, Germany, Israel, Kuwait, Qatar and the United Arab Emirates.

Can you justify the strategy to spend most of your resources on marketing campaigns that target the traditional markets where awareness about Georgia is already high? Chogovadze believes you can, and brings up the example of Ukraine.

"Many countries have actually experienced a significant decrease in the number of tourists from Ukraine, while we have managed to maintain the same figures in 2015," Chogovadze notes in response to the critics, who often criticize his administration for its lack of effort in trying to enter new markets.

"The marketing campaign becomes less effective if it does not offer visa-free travel, direct flights and country awareness. It's hard

to convince a European to travel to Georgia via a connecting flight. The reality is that we do not have direct flights to and from most European cities. Therefore, we work very closely with the airlines, since their passengers are our tourists. For example, in September Wizz Air plans to launch direct flights to Milan, Berlin and Munich. As such, we are planning to kick-off marketing campaigns in these cities," explains Chogovadze.

Former head of the National Tourism Administration Maia Sidamonidze also emphasizes the importance of market diversification. Sidamonidze believes that since more than 80% of Georgia's visitors come from neighboring countries, this approach can be used both in a positive and a negative way.

"The current conflict between Russian and Turkey turned out to be advantageous for us. However, the devaluation of the national currencies in the region, which occurred this winter, had a negative impact on the country's revenue derived from tourism. Therefore, any political or economic developments in the region have a direct impact on Georgia's tourism market," says Sidamonidze.

Based on the available statistics, revenue derived from foreign tourism is constantly growing. In 2015, this figure reached \$1.9 billion. The share of tourism in the export of services increased from 40% to 61% in the last five years.

"Just providing figures - in this case \$1.9 billion - does not tell us anything. We also need to know where it came from, and where it went. It is impossible to carry out a long-term plan or attract foreign investment without having detailed information. It is absolutely necessary to calculate the share of transportation, accommodation, food and entertainment in the tourism-generated revenue figures. This is the only way we can identify the growing and profitable sectors," says Vakhtang Asatashvili. Sidamonidze agrees with Asatashvili, and emphasizes the need for regional studies to determine the load factor and revenue based on various regions.

NTA Head Giorgi Chogovadze does not deny the need for detailed, broken down data. He told *Forbes Georgia* that the National Statistics Office of Georgia is currently conducting a study and the results will be published in September. The study will include information regarding purpose of the visit, popular destinations, average duration of the stay and a traveler's average expenditure during the trip.

And while the private and state sector wait for the results of the study, the statistics show that there are total of 158,500 people employed in the tourism sector. 25,100 of them are employed by hotels and restaurants, 89,200 work in transportation and communications (excluding pipeline transportation) and 44,300 provide other types of services, all of which is proof that Georgia's growing tourism industry should not be disregarded. **F**



A man with a beard and hair in a bun, wearing a white shirt, is working behind a bar. The bar is set in a rustic environment with a brick wall and wooden elements. In the foreground, there are several wooden chairs with metal frames. The floor has a black and white checkered pattern. A large black pendant light hangs from the ceiling. On the bar counter, there are various bottles, a juicer, and a wooden crate filled with fruit. A chalkboard menu is visible in the background.

THE ROOMSMATE

When his house burned down during the war in 1992, Valeri Chekheria had to live in a hotel for seven years. It is unlikely that he could have imagined at that point that years later, he would himself run not one, but several hotels, and a business worth \$60 million. Today he is the General Director of Adjara Group Hospitality, but his road to that position was neither short nor easy.

AUTHOR: KHATUNA KHVEDELIDZE | PHOTOS: NIKA PANIASHVILI

FIRST PROJECT – HOLIDAY INN

Perhaps things would not have turned out the way they did had he not given an honest reply to a question posed by the head office manager of Holiday Inn during a Skype job interview, telling the latter that his only experience in the hospitality industry was that he lived in a hotel for seven years. His honesty paid off – Chekheria eventually became the general manager of Holiday Inn.

Today Chekheria is the General Director of Adjara Group Hospitality. For the past five years, he has been managing the largest and fastest-growing company in the Georgian tourism and hotel management sector. The company currently has a portfolio of three functioning hotels with more on the way.

The manager of Holiday Inn Tbilisi, Rooms Hotel Tbilisi and Rooms Hotel Kazbegi, has come a long way prior to entering the hospitality business. Chekheria, who is also a lawyer, began working in the non-governmental sector before switching to the state sector (ministries of Finance and the Economy), and later moving to New York. Having arrived in the United States, Chekheria changed both his profile and his profession. He became a manager, and parallel to his studies, he worked for a company creating hospitality portfolios and selling them to businesses.

He returned to Georgia with a Master's degree from Columbia University, and received his first job offer from the businessman whose business he is managing today – the partnership between Valeri Chekheria and Temur Ugulava began with the Holiday Inn project.

As a newcomer to the company, Chekheria already had his own strategy, fresh ideas and a core formula. “Love your work. If you do, then success is imminent. I have the ambition to be a leader” – was the secret of his own success, which he then passed on to his team.

As he was starting out, the times were difficult, and the level of trust towards hotels such as Holiday Inn was low. Chekheria had to conduct a lot of work on himself, the brand, and the business. He first changed the style of the business – his team had to switch from the Georgian to the American model, which meant that the working day began at 8 a.m. and lasted indefinitely. That is how he worked himself, and he demanded the same from his team. He knew that achieving progress with the hotel required a 24-hour approach. “It does not matter whether the guests arrive at four in the morning, or at two in the afternoon – they must be met with the same quality of service, and the same smile,” says Chekheria, and it is hard not to believe him, especially when the results are clear and evident in numbers. Only five years ago, the 85-room Holiday Inn hotel was barely operating at 22% capacity. Today, it fills all 270 rooms, and is regarded as the largest hotel in Tbilisi. The success of the first project also brought trust and belief in the future. “We are not simply creating a business, but one with a difference,” notes Chekheria. When he says that, it's obvious to me that he means Rooms – the first premium-class Georgian brand hotel to meet international standards.

MORE ROOMS – THE FIRST GEORGIAN BRAND

Having lived in the US for six years, he never changed his habits during his subsequent ‘flying visits.’ On one such occasion, as he was having his traditional Sunday brunch on Times Square, holding a Bloody Mary in one hand, and a copy of The New York Times in the other, he made a totally non-habitual discovery: spread across a full page of the newspaper was a report by an American freelancer about a hotel in Georgia. The hotel in question was his own creation – the Rooms Hotel.

Naturally, approval from others trumps self-approval, especially when by ‘others’ we are talking about The New York Times. Chekheria certainly has a reason to feel proud. For him, the success of Rooms was also proof that “if implemented to a high standard, even a Georgian project can be successful and internationally acclaimed.”

The idea about Rooms – and the first hotel bearing the name – came about in Kazbegi (Stepantsminda). The sceptics were many, and they were quick to advise the author of the idea that bringing in a known international brand would be preferable to going with a new Georgian hotel. Indeed, the risks were high. To construct, package and sell a 156-room hotel in Kazbegi was never going to be easy, as Valeri Chekheria knew himself. However, when the owner of the idea, the owner of the business, and the team all believe in the cause and are on the same page, everything becomes easier. “This is precisely why I went to study in the US, investing time and energy – I had the ambition to create something new, something original and Georgian,” explains Mr. Chekheria.

He began to implement his novel ideas using old materials. He started with purchasing century-old hard wood to add a touch of style to the hotel with wall paneling. Traditional Georgian elements blended with contemporary art and lush greenery in their design scheme is what creates a genuine experience for Room's guests.

“This is one hotel with one particular design, which you may one day grow tired of. What is crucial is the spirit that is found inside,” says Chekheria, thereby explaining both one of the advantages of Rooms, and why he chose the garden of the hotel as the location for the interview.

The first thing that strikes you here is the smiling staff. As my respondent later explained, this is his business group's calling card. The hotel, where the feeling of space and freedom never leaves you, is for everyone – together with its garden, its restaurant and bar, its conference rooms, and its comfortable lobby. Each detail here is thought-out and functional, from the species and the layout of the plants, to the garden's inhabitant – a rabbit, which is confidently roaming around in the greenery of this premium-class hotel in central Tbilisi, even as an event such as the NATO Council visit is in progress.

Naturally, the rabbit was there during my visit too, getting to listen to things which it had undoubtedly heard many times before, includ-



ing Chekheria's two core functions: one as the generator of creativity and fresh ideas, and the other as a company director who first and foremost cares about his employees. "I am no longer bound to take responsibility for the results, but I am responsible for my employees being happy, and for them in turn, to make the guests happy."

This is probably the reason the numbers have long surpassed the expectations. Take Rooms Hotel Tbilisi for example, which is operating at an occupancy rate of 84% rather than the calculated 60%, while the average annual income has surpassed the planned 40%. The average annual turnover of Rooms currently ranges between 18 and 20 million, and it has only taken the hotel two years to achieve this result. "We are trying to predict today what the customer will want tomorrow, and act accordingly. We must be ready for tomorrow today," Chekheria underscored. His 1,200 employees are there to serve this very purpose.

The Adjara Group's progress has shown in practice that the more interesting product you create, the more interesting the business becomes, while the right service attracts more customers. "We started with Rooms Kazbegi, continued with Rooms Tbilisi, and now we have a new Fabrika hostel project, and this is just the beginning," says Mr. Chekheria, as our conversation immediately moved on to the latest news, as he starts to explain to Forbes Georgia how a Soviet-era factory can be turned into a European-style hostel.

A FACTORY OF HAPPINESS

The building at 8 Ninoshvili Street has its own history, and so does its name. It once housed the largest textile factory in the Georgian Soviet Socialist Republic. Thus, the building that until now has only served to preserve the country's Soviet past, aims to now become the epicentre of its European future. Fabrika - a name that translates as factory - is starting a new life. The sewing machines have been replaced by comfortable furniture, the roar of machinery by pleasant music, the textiles by canvases, the grey by the colourful, and the hard work by relaxation. This is more than just a hostel of a size previously unseen in Tbilisi. This place will soon become a cultural centre for students and young travellers, tailored to their wishes and their abilities. One can immediately see upon entering the building that something new and interesting is already happening here, but it is also evident that it is only the beginning, and "what is to follow, will surprise everybody"

If the wallet in your backpack is small, and your wishes have to be tailored to your limited funds, then the choices in Tbilisi are quite few. You will certainly not be left to sleep on the street, if only thanks to Google's search engine, which already recognizes dozens of hostels in Tbilisi. However, due to the fact that competition in quality between economy-class hotels has thus far been virtually non-existent, the concept of a hostel in Tbilisi is largely developing in terms of numbers, not in terms of quality.



Adjara Group Hospitality will have to consolidate its leading place on the market in spite of the fact that an economy-class hostel is an unusual start-up for a company that previously specialised in luxury brands. Attractiveness will be dependent upon three factors - service, cleanliness, and low price. The 90-room hostel, which will accommodate up to 400 guests, will stand out through pricing and service.

"Fabrika has everything for living, working, relaxing, and having fun," Valeri Chekheria confirms. His enthusiasm is contagious, and deserves his \$5.5 million's worth of trust - that is the total cost of the project, which has been partly funded through a loan from the Bank of Georgia. "Unlike us, our children should not remember war in Tbilisi; they should think about places full of happiness, such as this hostel - a 'factory of happiness', if you like," says Chekheria, before telling



me about so many more plans from the company that I fear may not be fully accommodated by my recorder or the pages of Forbes.

FUTURE PLANS

Fabrika may not be the only project on the Mtkvari's left embankment that is within the Adjara Group's scope of interest. There are reports of the company showing interest in purchasing the site of a former thermal power plant that sits there. My respondent would neither confirm nor deny that the group has already begun working on the project.

However, Chekheria did exclusively reveal to Forbes that a Rooms Hotel will appear in Bakuriani next year. An agreement has already been reached with TBC Bank in this regard, and the joint project will be ready for next year's winter season.

Sites for further Rooms branches have also been identified in the Adjara, Kakheti, Racha and Samegrelo regions. Thus, the Rooms network in Georgia will expand over the next couple of years.

Another one of the Adjara Group's new undertakings is the air taxi, which will appear in Georgia in November, and will initially fly to Kazbegi, Batumi and Svaneti. The company has already purchased two eight-seat Beech craft aircraft, but the number of planes will increase in accordance with the demand. The company is currently awaiting flying licenses, and will finalize its price list thereafter. However, according to Chekheria, the flights will be quite affordable. The volume of the initial investment into this project is \$5 million, but as he quickly points out, "this will definitely increase, just like the business as a whole." 



GEORGIA'S BUSINESS AMBASSADOR

U.S.A, Europe, Asia, - David Saganelidze has established strong partnership ties with top decision-makers from all around the world. CEO of Partnership Fund befriended Georgia with international investors. With over \$1.5 billion financing allocated for 17 projects, the Fund aims higher. From Start-Ups to giant corporations, - partnership deals are on the table.

AUTHOR: KATE TABATADZE | PHOTOS: KHATUNA KHUTSISHVILI

International relations are on your top agenda. Let's talk about the U.S.A where you've recently had an official visit as the Head of the Partnership Fund. How promising would you say U.S-Georgian business relations are?

The United States of America is Georgia's strategic partner and the projects supported by our American friends have always worked out for the best interests of both countries. My recent official visit, conducted in Washington DC, New York and Chicago, has been a succession of this mutually beneficial cooperation practice. I've returned in Georgia with a significant feedback, one of them being the start of the new partnership era with the Overseas Private Investment Corporation (OPIC). During the meeting held with the top management of the U.S. government's development finance institution, we discussed the funding options for carrying out new projects in Georgia. Up to now, the Overseas Private Investment Corporation has invested over half a billion dollars in 50 projects in our country. The meeting was also attended by the representatives from Gazzele Foundation and we've agreed on implementing a very useful project that will, in the first place, benefit SMEs in Georgia. My visit in the United States included business-oriented meetings with American politicians-congressmen and representatives of State Department-I made friends with during my 16-year career as a Georgian MP. Advice given by the leaders of this superpower country, is considerable for Georgia's economic development, which is my major concern. Attracting new investments has been my main subject of care while meeting representatives from financial sectors of Chicago as well. I also met with the students and professors of the University of Chicago.

Speaking about Georgia's economic perspectives on international markets, how well is the country performing in terms of already signed DCFTA with EU and how realistic do pending FTAs with other countries look?

Georgian market is developing gradually to meet EU standards. What Europeans and business representatives

from other countries from all around the world admit is that Georgia offers a favorable investment climate: safe business environment, well-performing tax system, free industrial zones, DCFTA with Europe.

As for trade relations with other countries, Georgia's signing FTA with China is of paramount importance, meaning that Europe will have additional interest in Georgian market to move production in our country so that to get eligible for free trade benefits with People's Republic of China-this makes Georgia a unique country in the region.

I get my hopes up that FTA with the U.S.A will also be agreed in near future. This, after EU and China, will be another breakthrough for Georgia's economy.

Partnership Fund has active relations with China. Based on your constant meetings with Chinese officials and business representatives, would you say Georgia should further expect large Chinese investors like Hualing Group coming?

During the last three years I've been personally negotiating tea and silk production in Georgia with Chinese high officials. These are the fields that People's Republic of China considers as part of its culture and commercial aspect is of a secondary importance. I convinced Chinese authorities that Georgia has a big potential to develop these businesses properly. Our country was once known for tea production and we can regain the fame. This is where I see job creation in regions. Imagine the number of human resources tea plantations cultivated on 12 000 hectares will require. What's most important, it's a long-term project targeted at Georgia's economic development.

To sum up, as the CEO of Partnership Fund, the organization that is a partner of businesses, how would you assess Georgia as a partner country?

Georgia is becoming a better partner country. There was always a question mark regarding political stability issue.



During the last two and a half decades we've witnessed the worst, the hardest being the Civil war and the war with the northern neighbor. Here, let me also add that previous government was not the best experience for our population either. Today, we've left all that behind and have learned a good lesson, upcoming elections will once again confirm it.

What's your view of investor-behavior during the pre-election period in our country?

With elections coming up investors get cautious and it's natural. However, in Georgia today we see no reason for concern in this regards. I dare say our country is doing perfect when it comes to doing business. The four

projects only, signed by Partnership Fund recently, can serve as an ample example of how favorable Georgia's business climate truly is. Radisson in Tisnandali was given a new life and the first international brand hotel will enter Kakheti region. The other grand project signed is Gino Green City at Tbilisi Sea. Another important news is an agreement with Ytong-the company producing energy-efficient construction materials. Last but not least, we've signed a project of national importance with Spanish company DeRaza Iberico on raising pigs of Georgian breed and their commercialization on international markets. Apparently, these pigs are very rare and few, around 100-150 and are found only in mountainous regions of Racha, Svaneti and Kakheti.



Partnership Fund works in two main directions: co-financing of projects at their initial stage of development and asset management of state-owned companies. Regarding the first, if we look at the last 5-years activities, how would you evaluate the Fund's activities?

It's a great honor for me to head the organization that owns Georgia's top important strategic assets. Partnership Fund is the implementer of government's vision; the organization provides financing for the projects that are of no or little interest for financial institutions. Such projects, as usual, are start-ups or regional businesses that do not bring much profit. Job creation, export-focus, import replacement policy-all the three aspects are of

high importance for the country's economic development and when a project is economically-driven, we're in. Partnership Fund provides equity financing, mezzanine and in some cases subordinated loan. The Fund's participation in projects is limited to minority share (up to 50%). When the company performs well enough to continue doing business on its own, it can buy back the share owned by Partnership Fund for the same initial price that the Fund has invested in it. This is the main attraction for local businesses, who are short of finances and are willing to push business forward. As for foreigners, Partnership Fund as a government organization is what matters; this way they get more safety and a good partner or a business guide you may as well say.

“FTA WITH CHINA MAKES GEORGIA A UNIQUE COUNTRY IN THE REGION.”

Honestly, since we're talking about the five years of the Fund's activities, I'll say that there have been ups and downs. I personally joined Partnership Fund a year ago where I was welcomed by the team of professionals doing their job with diligence. However, I saw there was lack of projects and intensified activities in this direction. As a result, today we are proud with doubled or even almost tripled number of multi-million dollar deals on our investment portfolio.

While on the one hand we're working on attracting more projects, on the other hand we're looking at right sectors for our activities and agriculture is the top priority for Partnership Fund as well as industry, tourism and education.

In all this we're not alone, international financial organizations are always there to give a hand. We have very good relationships with: The Eurasian Foundation, Asian Infrastructure Bank, International Financial Corporation (IFC), European Bank for Reconstruction and Development (EBRD) and Overseas Private Investment Corporation (OPIC).

Greenfield and Brownfield financing, which of the two is more attractive for Partnership Fund?

Indeed, Brownfield is more attractive since companies with experience are more reliable and less risk-carrying. In order to level up, business may need additional lines for development, which means raised demand for extra

COMPLETED PROJECTS

Rukhi Multifunctional Trade Center

Location: Zugdidi, Rukhi village, Samegrelo region

Total investment: Gel 15 million

Opening Date: February, 2016

Vanrik Agro

Blueberry Plantation and Processing Plant-Vanrik Agro

Location: Laituri, Ozurgeti, Guria region

Total investment: \$ 6.7 million

Opening Date: June, 2015

Panex

Construction Material Factory-Panex

Location: Rustavi, Kvemo Kartli region

Total investment: \$6 million

Opening Date: July, 2015

ONGOING PROJECTS

Kasleti 2

Hydropower Plant on the river Kasleti

Location: Khaishi, Svaneti region

Installed capacity: 10 MW

Total investment: \$12million

Opening Date: 2017

Lukhuni 2

Hydropower Plant on the Lukhuni River

Location: Ambrolauri, Uravi village, Racha region

Installed capacity: 17 MW

Total investment: \$26 million

Opening Date: 2018

Hotel Hyatt Regency

Five Star Upscale Hotel Hyatt Regency

Location: Tbilisi

Number of rooms: 170

Combined Cycle Thermal Power Plant

Location: Gardabani, Kvemo Karti region

Installed capacity: 230 MW

Opening Date: August, 2015

5 Star Hotel Rixos Borjomi

Location: Borjomi, Samtskhe-Javakheti region

Number of rooms: 151

Total investment: \$48 million

Opening Date: January, 2015

Sairme Resort

150 room Hotel and Spa Center

Location: Sairme, Imereti region

Total investment: \$10 million

Opening Date: 2012

Total investment: \$65 million

Opening Date: 2018

Composite Materials' Production Factory for Civil Aviation

Location: Tbilisi

Total investment: \$85 million

Opening Date: 2017

Imerety Greenery

Greenhouse complex

Location: Samtredia, Imereti region

Total investment: \$4.6 million

Opening Date: June, 2016

Hotel Best Western

Three Star Hotel Best Western

Location: Kutaisi, Imereti region

Hotel Gino Wellness Spa

38 Room Hotel Gino Wellness Spa

Location: Akhaltsikhe, Samtskhe-Javakheti region

Total investment: \$5 million

Opening Date: April, 2013

Kalanda

Hog Farm Kalanda

Location: Koda, Kvemo Kartli region

Total investment: \$5 million

Opening Date: June, 2013

Hotel Royal Batoni

32 Room Hotel Royal Batoni

Location: Kvareli, Kakheti region

Total investment: \$2.5 million

Opening Date: June, 2013

Number of rooms: 45

Total investment: \$3 million

Opening Date: March, 2016

Nenskra HPP

Hydropower Plant Nenskra

Location: Mestia, Chuberi, Svaneti region

Installed capacity: 280 MW

Total investment: \$1 billion

Opening Date: 2021

Hotel Radisson Tsinandali

Five Star Hotel Radisson Tsinandali

Location: Tsinandali, Kakheti Region

Number of rooms: 104 room

Total investment: \$30 million

Opening Date: 2017

financing and this is when they refer to Partnership Fund. As for Greenfield, Start-Ups are big risk-carriers, we certainly provide financing for them, however, this is never a large-scale funding.

Talking about Greenfield, how would you assess the 1st phase of Strat-Up Georgia and what do you expect from the second phase of this grand project?

Start-Up Georgia, initiated by Georgian Prime Minister Giorgi Kvirikashvili, is an unprecedented project targeted at youth. The goal of this grand mission is to bring fresh blood in business, give young people chance to let the world share their achievements in the fields of innovation and technology. GEL 11 million was allocated for Start-Up Georgia's 1st phase, out of which Up to GEL 3 million will be spent in innovative projects and GEL 2 million-in technological start-ups. The project budget will reach GEL 35 million for the next phase. Experts from Silicon Valley already confirmed their readiness to get involved in the second phase as well. In the first phase, we had 726 applications reviewed and in regards to technological direction 51 got shortlisted, in the end 20 winners were awarded GEL 100 000 each. In terms of innovative competition, we have 36 winners. My only concern about the first phase is that Tbilisi was the main driver of the competition and regions were not active enough. Hope, second phase will attract more projects from outside the capital. It should be stressed that Partnership Fund will continue working with the applicants whose projects didn't succeed, together with invited field experts we'll be organizing thematic seminars and workshops for them.

Start-Up Georgia is truly a unique opportunity to take a chance on. Co-financing by Partnership Fund makes 90%, which is almost a grant offer.

The Fund was created on the basis of consolidating the ownership of the largest Georgian state owned enterprises operating in transportation, energy and infrastructure sectors (Georgian Railway, Georgian Oil and Gas Corporation (GOGC), Georgian State Electrosystem, Electricity System Commercial Operator, JSC Telasi). There are constant talks about the management system of state-owned companies. What's your view, is there anything that has to be changed?


Yes, Partnership Fund is in charge of financial asset management of the above-mentioned state enterprises, but we do not interfere in direct management process. The only income of the Fund is the dividends received from these enterprises, plus the possible investment-

return from the daughter companies we've founded. I must admit that I've always been having a different view on the management policy of the state-owned companies. There are talks ongoing regarding this subject with German government-owned development bank (KfW) and International Monetary Fund (IMF). My point is that state interest should be considered but certain structural changes within the Fund have to be made. U.S.A, Great Britain, France, Japan, China, Russia, Turkey, Romania, Hungary, Azerbaijan-all these countries operate the institution of a Development Bank and in Georgia we have Partnership Fund instead. What I say, again, is that the Fund needs structural refreshment and it's up to the economic team of the government to approve.

PARTNERSHIP FUND IS ASSIGNED FITCH RATING "BB-", WHICH IS EQUAL TO SOVEREIGN CEILING OF GEORGIA

Politics has been a battlefield for David Saganelidze for 16 long years. It was a year ago that you were appointed the CEO of the Partnership Fund. Would you say your today's position is where you belong or do you still have an eye on politics?

Decision was made by the government, I agreed and took responsibility over Partnership Fund, but before I left the Parliament. In regards to my political career, what I'd like to say is that I've always worked for the country's best interests. Back in 2011 I left my political party that I founded together with my friends in 2000, the reason being that I saw the party was taking a wrong turn. Afterwards, during the pre-election period in 2012 I decided to join Georgian Dream-the team that I believed was Georgia's right choice. Partnership Fund, for me, as for a successful business person of early 90s moved to politics in the beginning of 2000 s, is far more suitable workplace. As I already mentioned, here I'm dealing with a team of professionals who I trust and have confidence in. Every team needs a leader to move the job well done to the right direction and that means moving forward as always. With my leadership and the great team, the Fund has all of it.

I have grand plans within Partnership Fund for future, intentions are ambitious and some may take time, but will eventually succeed and work for Georgia's better future. 

THE RISE OF THE RACHAN METAL

ElectricBagpipe! Sounds weird, right? Well, that's exactly what Kakha Kuchava was told when he first revealed his mining plan. Finally, with just GEL 1 million, his JSC Caucasus Minerals paved the way to the exploration of a mine where over GEL 500 million worth of metal antimony was buried in the ground.

AUTHOR: SHOTA DIGHMELASHVILI
PHOTOS: SERGI BARISASHVILI





It was 5:30a.m., and the alarm was blaring in my ear. Problem is, it didn't really interrupt my sleep. A few minutes later however, the phone rang, and woke me from my dreams. I was still half asleep as I walked down Alexander Chavchavadze Street on autopilot mode. I embraced the city as if it were my long-lost-friend. So familiar, and yet still completely strange. As I walked, I noticed an SUV by the Opera Theatre. I made no effort to discern the faces of the people standing by the car, since there was no one else on the street. I knew that I was going in the right direction. He sat at the wheel and chose the musical menu for our trip.

"I would sing if I were alone," he said cheerfully.

For a couple of hours Kakha Kuchava's contagious energy assumed the role of the caffeine that was sorely lacking in my bloodstream. Then somewhere close the Zestaponi, I fell asleep. I woke up again in Oni. We changed the car. We had to drive from Oni to Ghebi and then drive 17 more kilometers off-road to the top of Ghebi - Zokhito. It's located 1,600 meters above sea level. It takes us more than an hour to cover this distance. I do not know for sure what kept me awake, the beauty of the landscape or the car jumping like a horse. First we passed the 'houses' that are one and a half meters high. They're more like hobbit houses than houses built for humans. Everyone recognizes the 36-year-old Kakha Kuchava from afar. The severe local climate is well reflected in the nature of these heavy-set, robust people. If, God forbid, they dislike you for any reason, no one will care if you are an entrepreneur or the Emperor of Manchuria. They will be humble and pitiless like a landslide. However, everyone around here demonstrated a rare warmth towards Kuchava. Those who are familiar with the highlands, know that this warmth of heart should not be taken for granted. It is rare, but is in line with the laws of nature. That is why it's valued so much.

The reason for my long trip is a 5th period, group 15 chemical element with an atomic number of 51, according to Dimitri Mendeleev's Periodic Table. In other words, antimony - also known as *stibium* and *surma*. I have no intent on offending

geologists, but the real reason for my long trip was Kuchava's persistence and determination. One of the best Georgian specialists in corporate law and far from the profession of a geologist, Kuchava saw a chance and started a business that will potentially give his company Caucasus Minerals an opportunity to mine 30,000 tons of antimony. Today the market price per ton of antimony is \$8,000. However, according to the forecasts, the price is expected to double in ten years. Consequently, the market price for that amount of antimony is at least \$240 million. Needless to say, Kuchava's income from his mining business will not be equivalent to the market price of antimony. Moreover, he will most likely sell the ore (estimated market value \$5,500 - \$6,000 per ton) and not the refined metal. As you well know, profit is the surplus remaining after capital and operating costs are deducted from total revenue. But for the Racha-Lechkhumi and KvemoSvaneti region, where, according to 2013 records, the industry production output did not exceed GEL 6,800,000, this is more than just another business. This is more than a 'crazy' idea. This is a business that started with GEL 1,000,000 in foreign investment and a few tents.

The road that we took was built by Caucasus Minerals. A major part of this 18 km road is used by the local villagers, the last 6 km is used mostly by the company. The company also built a bridge over the Rioni River. Prior to that, it was impossible to cross the river because of the strong current. After the Rioni, there is another bridge over the Zokhitura River.

"Don't be misled by the wooden cover, there is stone and iron underneath it. This bridge can withstand a four ton vehicle," noted Kuchava, the founding partner and director of Caucasus Minerals. This bridge is also his creation, and he has a reason to be proud of it. However, he is more proud of his employees. We continue our journey on foot. On our way to the base I listen to stories about 'honest Mamuka', 'gifted Lebo' and one about a kickboxing champion from Ghebi, who tells Kakha in English - 'call me' and then laughs at his own words.

Caucasus Minerals has a camp with cottages that can house 22 people. There are approximately 30 employees that have been working for Caucasus



Minerals since 2012. All of the employees are locals, except for the Tbilisi office staff.

"First we came here with small tents, then we used larger military tents and now we have cottages," Kuchava explains to me, as he fills me in on their annual progress while pointing to the landscape in front of us. Caucasus Minerals possesses a 30-year license for the exploration and mining of antimony. The first five years will be completely dedicated to exploration, and when the company moves to the test production stage, the number of employees will increase to up to 70 people. When the company starts full-scale mining operations, the number of employees will then increase to 300 people.

The nearby cottages are springing-up like mushrooms after the rain. At the present moment there are only 350 families residing in Ghrebi, which was once a densely populated village (the gigantic size of the local secondary school is testimony to this). A long-term work plan means a lot for this area - one of the poorest regions in Georgia - particularly in view of the fact that the wages for miners are now up to GEL 1,200.

We continue on our way. The antimony deposit is one kilometer away from the base. I am already exhausted, but we still have to walk another 40 minutes to the deposit. "How often do you have to travel here from Tbilisi?" I ask Kuchava, expecting him to tell me that it's a 'quarterly' occurrence.

"Sometimes I travel here three times a week. There is plenty of work here," Kuchava replies, as he continues to walk energetically towards the deposit 2,400 meters above sea level. On the other side of the deposit lies the Russian Federation. Clearly, he is one of the commanders that lead his subordinates to the 'front line'. That's what makes a real leader different from a boss. The locals of Ghrebi like their work leader. Being bossy here is unheard of. The mountains have no boss.

Kuchava's work experience is more extensive than the playlist in his car. In 2001, still a student at the law faculty, Kuchava was already working for the International Legal Department of the Ministry of Foreign Affairs. Later, he started a private legal practice and went on to continue his studies in the UK. He worked for the Georgian Red Cross Society, then GEPLAC - an EU-funded project that

promotes the political, economic and social convergence of Georgia and the European Union. After that, he worked for USAID.

"I had the greatest boss when I worked for the USAID. He was an American named McGill. He gave us complete freedom, and told us to use our imagination," Kuchava fondly recalls. This freedom of imagination contributed to the reforms in the public registry, tying the tax base directly to the registry and lessening the bureaucracy. Later on, he started working at the International Finance Corporation (IFC) and became a corporate management specialist.

"It was the beginning of a new life. The IFC is an organization that spends a lot of its resources on making you a better specialist," Kuchava told me. He had no trouble mastering his trade and becoming an even better professional. In a year and a half he was already responsible for the regions spanning from Central Eastern Europe to Central Eastern Asia - essentially from the Balkan Peninsula to Mongolia. He worked at the IFC from 2007 to 2010.

"I was in the air all the time," he recalls cheerfully. "I always had the ambition to create something of my own. I did not want to be a lawyer for some organization that would eventually end up in Washington."

That was how the Eristavi & Partners Law Firm was founded, together with David Eristavi and Rezo Beridze. Along with his partners, Kuchava demonstrated his top-notch skills in his private business. The law firm was business oriented from the very outset. In the midst of the 2009 economic crisis, the law firm devised a very innovative solution. In exchange for their legal services, Eristavi & Partners asked companies, which were on the brink of bankruptcy, for a share in their business. Eristavi & Partners helped companies rise from the ashes. Consequently, the company took on valuable assets that belonged to successful businesses, and the firm established a good working relationship with several banks. Eristavi & Partners never let the banks down, always holding up their end of the deal. In certain cases, if the company that was in the difficult situation happened to be a state contractor, Eristavi & Partners received their

sincere gratitude. As a result of a couple of successful projects, Eristavi & Partners now owns a 9-story 130-room apartment/hotel in Gudauri, right behind the ski lifts. The hotel is expected to open soon.

Eristavi & Partners came up with an innovative billing practice - a monthly salary, rather than an hourly payment. This move enabled the firm to plan its budget in advance. For a time, Eristavi & Partners was the largest law firm based on its number of employees

From the very outset, the company strived for greater diversification. That's when Kuchava remembered the mine that his Australian client was interested in about ten years back. In 2004, the Australians abandoned the excavation site and Zopkhito was left unattended.

"In 2010 I made some inquiries, and found that the mine was still free. There were two companies before us that failed to bring the mine into operation and therefore the state confiscated the mine from the companies. According to a law issued in 2005, the exploration period can last for five years. Since the company hadn't fulfilled any significant work in that period, the mine was again on the market," noted Kuchava.

That's when Kuchava decided to go into the mining business and began studying geology. It was at that point that many viewed Kuchava as slightly crazy for suddenly dedicating his life to geology and a 32-hour commute every week, just to start a business that had been a failure since 1930. Even some of his partners at his own legal firm emphasized that this whole idea was nothing but madness. Eventually they came around to trusting their friend. Dato Eristavi took over the construction field at Eristavi & Partners, Rezo Beridze focused on the law firm itself, and Kuchava ended-up surrounding himself in the vast nature of the alpine zone.

In going forward with his new risky endeavor, Kuchava sorted out all the paperwork with his usual diligence, shared information with several organizations, and received a prompt response. Martin Churchouse invited him to London to discuss the project. The meeting lasted about 15 minutes. This is exactly how long it took Kuchava to convince his future partner to give him a million lari. There are no records as to what exactly Kuchava

said or did at the London meeting. However, the ink on the contract he signed had hardly dried and Kuchava has already received a 1 million GEL transfer. It would be hard to find another example that demonstrates such trust. Kuchava made the required GEL 990,000 advance payment in order to participate in the auction. Eventually they won.

"Come to think of it, it was definitely a very adventurous and risky start," Kuchava admits. "I should not have worried so much though. The obligations and demands were very high and lots of companies were simply too scared to participate," he told me.

As it turned out, the mine was so well explored by Soviet geologists that it completely coincided with Wardell Armstrong's data. The current price for the work conducted between 1930 and 1980 would be approximately \$45-60 million today.

gray metalloid is gradually flashing more brightly on investor radars. According to USGS estimates, the world reserve of this metalloid is only 1.83 million tons. China is the largest producer of antimony and its compounds. It has approximately 950,000 tons of this metalloid. Russia has the second largest reserve at 350,000; Bolivia: 310,000; Tajikistan 50,000, and South Africa has 21,000. With 30,000 tons of the metalloid found in 17 explored veins out of the total 60 veins, Georgia is already ahead of South Africa.

"We need to do further research, and for this we have five more years in compliance with the law before we start the production," Kuchava says.

However, even China does not have it in the bag. Their production scale is decreasing and this presents new opportunities for foreign companies and non-Chinese investors. In China, 17% of their

"I WAS IN THE AIR ALL THE TIME. I ALWAYS HAD THE AMBITION TO CREATE SOMETHING OF MY OWN. I DID NOT WANT TO BE A LAWYER FOR SOME ORGANIZATION THAT WOULD EVENTUALLY END UP IN WASHINGTON"

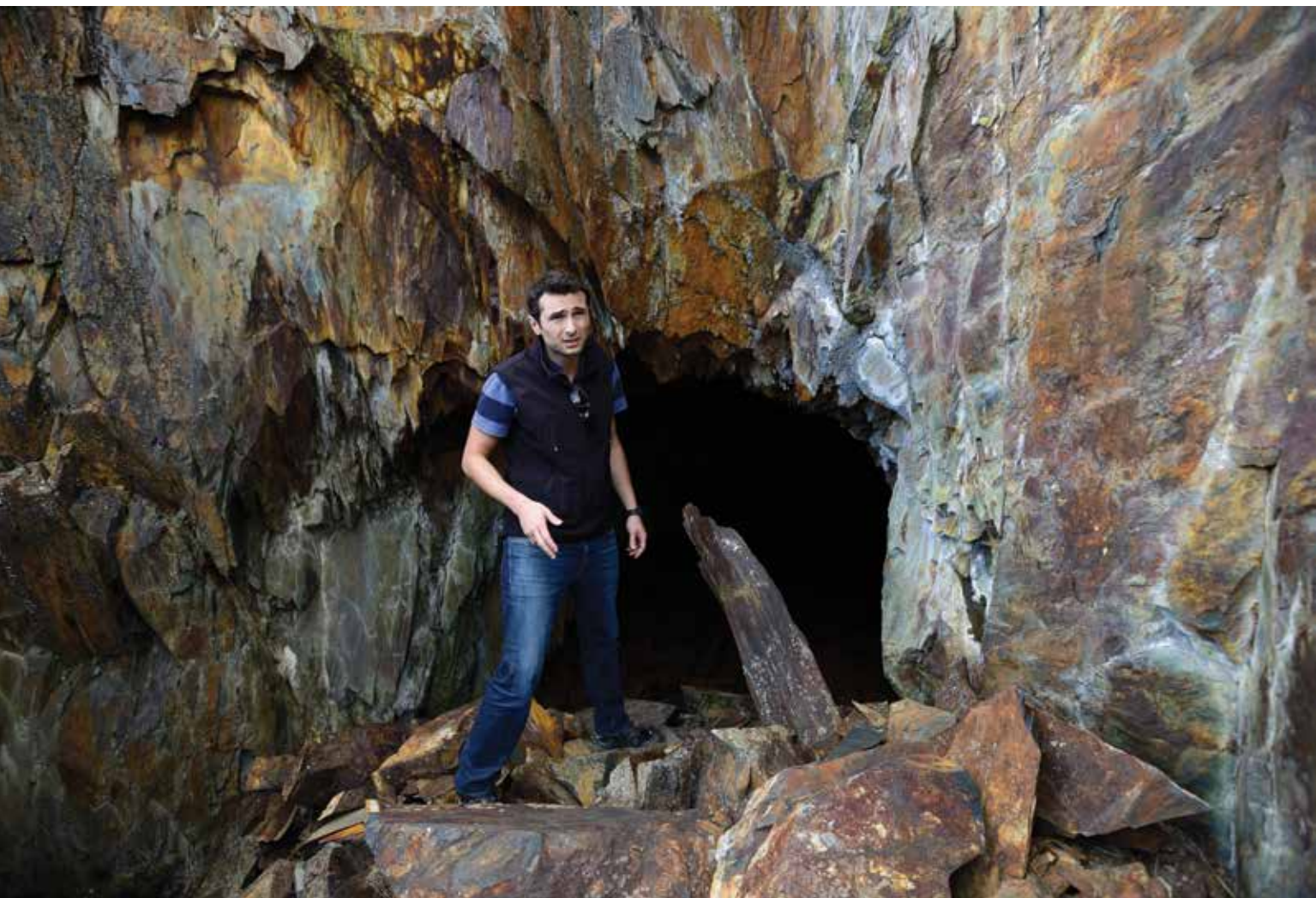
There were tunnels that spanned 27 km, along with eight volumes of research data (3,000 pages total), 11,000 samples and detailed archaeological maps - these were the historical records that came with the mine. After taking the data to the JORC and synchronizing them with independent analyses, it produced a very attractive picture: only 17 out of the total 60 veins have been examined. According to the Kernow Geological Consulting report prepared in 2012, the Zopkhito deposit may contain more than 125,000 tons of antimony. In order to fully understand the scale of this deposit, it is important that we take a look at this metalloid and its global resources.

FORGET ABOUT THE GOLD!

Gold, silver and bronze are overused. Antimony is the rising star of the mining underground. Based on the scale of the antimony resources found in the Zopkhito deposit where gold is simply a byproduct, Georgia comes in at fifth place in the world. Due to its deficiency, this silvery, lustrous

antimony deposits come from small, illegal and environmentally harmful mines. The Chinese government is waging a war against such mines. As a result, the export of antimony from China has significantly decreased. Along with various prohibitions and restrictions, the Chinese government is implementing other measures to reduce its share of antimony production on the global market. The People's Republic of China is saving antimony resources for its own industrialization. However, these resources are growing smaller by the year.

As a result, the price for antimony has increased several times since 2002. Hence, the exploration of antimony in Georgia has become a very profitable business. In the beginning of the 21st century, the market price for a ton of antimony was \$2,000. By 2011, the price had reached almost \$15,000. Although the price has almost halved since then, experts predict a 5% annual increase, and by 2020, the price per ton of antimony is expected to reach \$20,000 - that is exactly when Kuchava will move to full-scale production.



Kuchava has not let his dreams curb his skepticism. He has both feet on the ground when it comes to pursuing this endeavor, a ground that is rich with ore. "The price may go down, or they may come up with a substitute material that will reduce the price of antimony or find a new deposit that will increase the existing supply," says Kuchava.

"I came upon some very optimistic expectation for the Racha region when I tried to search for materials regarding any possible threats to Caucasus Minerals. I think that the price for antimony will increase," explained Christopher Ecclestone, Principal Analyst and Mining Strategist at Hallgarten & Company. His assumption is backed by official documents. In a 2012 report, this metalloid was declared

a critical raw material for the European Union. According to the Roskill's Antimony Report, China will not increase the production of this metalloid in the near future. According to USGS statistics, the current resources will run out in 13 years (although it is possible that new supplies will be found). The British Geological Survey put antimony on its risk list. This list includes chemical elements or groups of chemical elements that run a high risk of becoming designated a supply shortage. These are elements that are necessary to maintain the contemporary British economy and lifestyle.

The application of this substance is narrow, but at the same time, widely common - 60% is used for making fire retardants, and 20% of antimony alloys are used for making batteries and screens.

Recently, they started using antimony in memory chips, which has dramatically increased the speed of information exchange.

Antimony is a substance with no substitute, and one that has deep roots in the contemporary consumer goods economy. The need for fire retardants will be there as long as the candle of humanity is burning. Therefore, in light of all this, and the fact that the global supply of antimony is running short, the only logical assumption is that the price for antimony will only increase.

CAUCASUS MINERALS IS IN NO HURRY

When the mining sector crisis began, the partners bought 50% of the shares back from the Brits. Shortly after, Georgian banker Nikoloz Erukidze demonstrated interest in the project and bought 27% of the company's shares. 70% of the shares remain in the hands of Kuchava, Beridze and Eristavi. Three other people own a 1% minority interest.

"We made a decision to make this project all Georgian till the end. Such projects require patriotism. In any case, we care more about the people living the Georgian villages than foreigners do," Kuchava explains.

That is probably the reason why the company decided not to build an ore-processing plant, which would inevitably pollute the environment. Instead, they decided to resort to a relatively more expensive method of manually processing the ore. Consequently, Caucasus Minerals will sell ore with a 50-55% concentration and produce approximately 4,000 every year. This means that more people will be employed at the company.


The company has been spending approximately \$1 million every year since the issuance of the license in 2012. Next year, Caucasus Minerals plans to start test production that will bring their operating costs up to \$15 million. According to the current estimates, another \$4 million will be spent during the remaining exploration period. However, this amount may reach \$15 million. "The costs will increase if we see results coming from the exploration," says Kuchava.

Test production means that the ore will be mined from one point in order to determine what

should be expected in the case of large-scale mining. A financial model can be specified only after the percentage of the extracted ore is determined. By that time, the company will know what sort of machinery they will require, the estimated costs, time-frame, safety measures and mining techniques. Since the concentration of antimony in the ore is very high, there is a high probability that the technological process will be easy, and there will be no need for building an ore-processing plant.

After the exploration, the company will be able to determine the costs for mining the byproduct - gold. Individual content in samples is as high as 11 grams per ton. "We need to make some calculations in order to determine whether we should focus on gold, and whether or not it will cover its mining costs," says Kuchava. "Gold can be a headache for someone who is producing antimony. However, the content of gold in the ore is very interesting. The extraction percentage that we have is very high. Anything over 80% is considered good and we have 94%," he adds.

It is hard to predict what the future holds for Rachan antimony before the launch of the test production. However, we can be certain that it is in good hands. The company has demonstrated exemplary corporate responsibility both from the ecological point of view and with regard to labor ethics. The workforce is exclusively local. The company uses only local products and buys gasoline in Oni. This is more expensive than buying it in Tbilisi and transporting it to the mine, but it is absolutely necessary to do so.

Three years after its start of operations, Caucasus Minerals has become the second company in Georgia to have constructed a 3D model of the mine, and it is very likely that it will also be the first company to move from the so-called 'greenfield' level to the production stage. "I love challenges. Challenges and difficulties are there to be overcome. If I start something, I know that I will see it through to the end. I said the same about this project. I said we would be the first mine in Georgia that starts a project from scratch and moves to production. We are also very proud that this project will be implemented in full compliance with JORC standards," Kuchava notes. 



OPEN THE DOOR TO KNOWLEDGE - GAU

An American adventurer discovered Georgia in his search for novelties. R. Michael Cowgill is the President and co-founder of the Georgian-American University. He is also the First Vice-President of the American Chamber of Commerce and the first non-native Georgian to become an Executive Member of the Georgian National Academy of Sciences.

AUTHOR: KATE TABATADZE | PHOTOS: KHATUNA KHUTSISHVILI



Everyone is scared of my red pen," says R. Michael Cowgill, who was raised in the family of a publisher, and has always felt comfortable

in the world of print media. "I was a teen editor," Cowgill recalls with pride. The Milan Standard, a newspaper founded by his father in the small town of Milan, Missouri, is still being published. The Cowgill Jr. has continued his career, albeit nearly 10,000 kilometers away from his adopted home in Tbilisi, Georgia.

Cowgill chose to give this interview in a free format, as he settled comfortably into his couch.

Georgian American University (GAU) was established as an MBA project in 2001. "The initial capital used to invest in it was so small, it could serve as a case study for the Harvard Study Program. But the founders of the university returned their investment within the first 2-3 years. The current EBITDA of the company has increased one-hundred times already," explains Cowgill.

Over the years, GAU has expanded, and now offers four schools at the university, these include the Business School, the Law, Social Sciences & Diplomacy School, the Informatics & Engineering School, and the Humanitarian Sciences & Liberal Arts School. The location of the university has also changed several times over the years. In 2011, GAU purchased the former Institute of Seismology and Geography building located at 8 Aleksidze St. The building was purchased at a state auction. In 2013, GAU received \$3.5 million in investment from the American OPIC Fund. They then designed and renovated the structure in compliance with OPIC standards.

GUA was established as the MBA project of Elene Jamarashvili during her study at Atlanta State University. Initially the university was designed as a School of Law with graduates granted a Juris Doctorate (JD) degree and a Bachelor of

Law degree (LLB). Despite the fact that there was sufficient business interest in GAU from the very beginning, it was nonetheless quite difficult to find suitable investors that could meet the university's specific criteria - western standards and absolute transparency. Therefore, Cowgill decided to invest a large portion of his own money into the project.

"I became interested in the project because I knew that all the necessary ingredients for success were already on hand. However, we made some changes, and opened a business school," the American entrepreneur notes. According to Cowgill, ownership, curricula and management are the main American characteristics of GAU. The university has 11 owners, and one of the shareholders is a legal entity. The main principle of the university has remained unchanged since its inception: GAU is managed as a business, which focuses on providing high-quality higher education.

"Our success is based on strong management, a team of highly-qualified lecturers and staff, and our honest and socially responsible fiscal policy," explains Cowgill, adding that "GAU always takes into consideration the requirements and needs of its students and partner organizations."

In fact, GAU Career Services provides effective communication between potential employers and the students, and supports students/graduates in their quest for internships, and jobs in the marketing and career services sector.

Cowgill says that there are plenty of challenges in the education field, and that the level of competition is fierce.

"There are approximately 25, 000 students in Georgia, and about 40, 000 student vacancies at various universities," notes Cowgill. The situation is complicated by the creation of the free programs provided by the state university. Needless to say, luring students from American Universities to Georgia is not an easy task.



“The desire to do this is often one-sided. It is extremely hard to convince American students to participate in exchange programs. We are currently implementing a project with the US Air Force Academy. We will be hosting a second group of cadets this year,” he says, explaining that the recent devaluation of the national currency is one of the main obstacles for the university:

“The Georgian national currency’s exchange rate concerns us all, since many of us have loans in US dollars. The devaluation of the national currency has a negative impact on every sphere. The Georgian-American University has a fixed tuition fee in GEL, and in the event of any changes in this regard, it will only favor the applicants,” he notes.

The average annual undergraduate tuition fee at private Georgian universities is about GEL

3,000-7,000. Based on student scores earned during the national exams, the state co-funds tuition fees (state grant), and the universities have their own discounted policies. GAU also tries to remain attractive to applicants in terms of its affordability. In fact, due to the new tuition fee policy, GAU has become more affordable. This year the university launched a more flexible payment system, as well as a GAU grant.

At present, the Georgian-American University has 3,000 alumni who, according to Michael Cowgill, act as ambassadors of the university and their country abroad. Cowgill is no stranger to this type of ambassadorship.

“I was studying electronics engineering at the University of Missouri. I left school in the second semester and traveled to Indonesia, where I started

working at the Bechtel Corporation. I wanted to see the world," he recalls fondly.

After two years working successfully at one of the largest engineering and construction companies in the world, the young Cowgill returned to school, only this time he chose mechanical engineering. After receiving a bachelor's degree from the University of Kansas, Cowgill earned his MBA at the University of California, Berkeley.


"I studied at night, and worked at the Bechtel Head Office during the day," he says.

Michael Cowgill came to Georgia 18 years ago, but it was the field of engineering that brought the American 'markscheider" to Georgia. From 1999-2003 he worked as the pipeline advisor for the Government of Georgia, providing strategic, regulatory, and technical assistance for the implementation of the Baku-Tbilisi-Ceyhan Oil, and South Caucasus Natural Gas Pipelines. However, there is a more important link that ties this American

businessman to Georgia. Cowgill has a nine year-old daughter - Anna Mari Tskitishvili-Cowgill. His sons from his first marriage - Graham 32, and Robbie 30, live with their own children back in the United States.

In the GAU President's office, my attention is diverted to one particular painting on the wall. It was Zaal Sulakauri's painting featuring an American boat with the sails of the Georgian flag. Cowgill says that studying at the Georgian-American University guarantees successful employment on both the local and international markets.

"Our clients are state, private and non-governmental organizations. They are potential employers, and therefore, we give our students the type of education that is in compliance with the needs of potential employers," he says.

Judging by the successful careers enjoyed by many GAU alumni, this plan is working incredibly well. 

CALL FOR EXPRESSIONS OF INTEREST

In the process of NAP preparation for The United Nations Convention to Combat Desertification, Ministry of Environment and Natural Resources Protection of Georgia, seeks for Expression of Interest (EoI) from interested parties for the supply of Consulting Services for the 'Baseline Assessment of the Potential for Sustainable Use of Water Resources in Georgia' EoI should be addressed to the First Deputy Minister and submitted before 15th October 2016.

ToR and communication details are available at
www.moe.gov.ge/en/suwr or e-mail: suwr@moe.gov.ge



INVESTING

GUEST



GERMAN BUSINESS IN A GEORGIAN SETTING

One former executive of the German Technology Group is now running his own business in Georgia. Sascha Ternes is Managing Partner/Founder of Ternes Real Estate Fund, a pioneer on the local market. The German businessman has been in the service of Georgia for 20 years now.

AUTHOR: KATE TABATADZE
PHOTOS: KHATUNA KHUTSISHVILI



The fact that employment is the chief driving force of an economy is a self-evident truth. According to the National Statistics Agency of Georgia, the country's unemployment rate sits at 12.4% (though some economists suspect the actual number of people out of work is much higher). Needless to say, our guest is doing what he can to help reduce these figures. The German financier is an employer himself, and has 20 years of experience in emerging markets. Six months ago he founded his own company called Ternes Real Estate Fund. The co-founder of the company is David Shengelia who is also the Managing Director of Caparol Georgia, which is part of the German DAW Group.

"Ternes Real Estate fund is a novelty on the Georgian market," says the owner of 60% of the company's shares. "We are pioneers. There is no other company of its kind in Georgia," he notes, as he goes on to provide a little insight into the new principles of stimulating the traditional real estate sector. "I have always been fascinated with the construction industry. To a certain extent, this has always been my hobby with finance being my profession. Eventually, I managed to

combine these two spheres, and turned it into a great job - a real estate investment fund."

Ternes has extensive experience in the construction and development of business-centers, both in Germany and abroad. In Georgia, Ternes played a major role in the development of ProCredit Bank's Head Office in Tbilisi. He was also the bank's CEO.

Mr. Ternes explains that his fund functions similar to a real estate investor, and that it's one of the most reliable investments: "Where should we put our money? As a rule, we deposit our money in the bank, where we are not satisfied with the interest rates, or we purchase apartments and rent them out. But this does not come without problems. We take all these issues into our hands. You buy a share in a commercial property managed by Ternes Real Estate Fund, and receive high dividends from your investment. We take care of all the administrative headaches," he says.

In addition to the above-mentioned banking deposits and apartment rent outs, investing in stocks is another well-practiced alternative on international markets. However, investing in real estate funds is the top favored choice in developed western economies.

"You never know which company's stocks will lose their value and become worthless. For instance, you might buy Volkswagen stocks, and then all of a sudden a scandal arises and your stocks aren't worth a penny," explains Ternes.

Ternes Real Estate Fund purchases exclusively high-end commercial property in Tbilisi. "We were considering the possibility of investing in one of Georgia's regions, but due to the lack of high-quality commercial property there, we would have been forced to build the commercial structures ourselves. Unfortunately, there were also very few tenants who could afford to pay the high rental price for a commercial space," explains Ternes

According to a 2014 Colliers Real Estate Market Report, 85% of Georgia's commercial property is concentrated in Georgia's capital Tbilisi. In fact, most ongoing residential and hotel construction is concentrated in two cities - Tbilisi and Batumi. Mr. Ternes believes that the government should balance its development programs, by investing in the regions of Georgia as well. "Institutional investors, just like my real estate fund, act in accordance with very strict criteria. German investors are moving towards the East step-by-step," says Ternes. "Needless to say, at this stage, their efforts are mainly focused on the Baltic and Balkan regions, where the market is more profitable and predictable. For my part, I will spare no effort to turn their attention to Georgia," he adds, stressing that the government of Georgia needs to put more effort into attracting more investors.

The former CEO of ProCredit bank, Mr. Ternes is also a the former deputy CEO of Bank of Georgia in charge of agricultural projects, and a former board member of the bank's agricultural organization AGRONI, Ternes believes that the government's decision to ban the sale of agricultural land to foreign nationals has had a negative impact on foreign investors, including German investors.

"The government of Georgia could have found other ways to solve this problem. In my opinion, this is more of an immigration problem rather than an agricultural problem," says Ternes. He notes that agriculture is one of the most promising sectors in Georgia, but that the development of this sector requires access to funding, and the approach to this issue needs to be reconsidered.

"The banking sector in Georgia is developing dynamically, but the banks remain very conservative. In many cases, the problem is due to the lack of good projects and not a lack of loan access. We are currently working with the German Development Bank (KfW) to establish a new organization that will make investments in these types of projects," he explains.

Ternes, who has spent a large part of his life in Georgia, is also involved in the activities of numerous German companies. He serves as the Chairman of the German Business Association (DWV), which was established in 2007. The DWV represents German business interests in both Georgia and Armenia. With more than 150 members, it is the second largest foreign business chamber in Georgia, and promotes German-Georgian-Armenian trade relations by providing support and services. Ternes says that so far, Georgia has failed to produce a sufficient amount of exportable goods. He says that this has led to a deficit in the country's trade balance. Ternes explains that more attention needs to be focused on the production of goods that are in high demand on foreign markets.

"Georgia's Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU opens the door to the European market. Bringing Georgian legislation and regulations into conformity with the required standards might take a long time, but the long-term results, which require short-term investments in certain sectors, will be very impressive," he notes.

According to the data provided by the German Business Association, there are currently 339 German companies operating in Georgia, a 13% increase from last year. The total value of goods exported from Georgia to Germany in 2014 came to €98.9 million, and the total value of goods exported from Germany to Georgia in the same year was €375.6 million. Integrating itself into the largest foreign commerce chamber network (AHK) is one of the biggest challenges ahead for the German Business Association. Despite its successful activities inside the country, the second largest chamber of commerce requires the political will in order for it to achieve this goal. Additionally, Georgia expects an even broader range of global political decisions from European leaders in terms of visa liberalization. "I hope that the positive technical report published in the first half of this year will be followed




by a positive political evaluation in the second half of 2016, and Georgian citizens will no longer be required to secure visas to travel to Europe," says Ternes.

Ternes himself did not require a visa when he first traveled to Georgia in 1996. The German Business Association did not exist at the time, but the unification of Germany, along with the contributions of the former Georgian foreign affairs minister of the Soviet Union, had already been complete. Germany's post-Cold War development was already on a successful path. Georgia on the other hand, was still mired in the country's dark period that set in after the collapse of the Soviet Union in the early 1990s. At the time a 20 year-old, Ternes met his future wife -the 19 year-old Tako Dondua - in Tbilisi. "I met my future wife at a friend's house. I came to Georgia to work on an infrastructure project for a German technological company and Tako was a law student at the time. We got married and moved to Germany," Ternes recalls. In 2007, the Ternes family moved back to Georgia. Ternes says that there were two main reasons behind their deci-

sion to move to Georgia: the country was progressing, and Ternes was offered a job in the management of the Georgian operation of ProCredit Bank.

Today Ternes and his wife Tako are the happy parents of three wonderful children. Ternes' 4-year-old Mika and 2-year-old Monika still attend kindergarten. Their eldest son, 11 year-old Luca, attends the German International School that was founded by his father. "We bring teachers from Germany, therefore the level of education is very high and is on par with the level of education you might receive in the schools of Berlin, Munich and Frankfurt. The school also receives state funding," he notes with pride. According to Ternes, the total number of students is 100 and 60 of the students are Georgian.

After two decades of activities on the local market Sascha Ternes ended up doing his own business in a country that has become his second homeland. German businessman invested in Georgia's real estate market with confidence, next move is on Georgians to trustfully invest in German real estate fund. 

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Guest Investor

The Economic success of Georgia requires more 'green currency.' Foreign investors expect an attractive business environment from a country that is known for its prestigious hospitality. Where exactly are the 'STOP' signs that hinder the economic development of the country? Sarah Williamson discusses the potential of the local market in an interview with Forbes Georgia. The UGT vice president sees a way to prevent 'economic traffic' by nullifying legal barriers.

AUTHOR: KATE TABATADZE
PHOTOS: KHATUNA KHUTSISHVILI

Your duty as the president of the American Chamber of Commerce is to establish business relations between Georgia and the United States. What are the guiding principles that bring countries that are 10,000 km away closer together?

The large distance creates the biggest obstacle when it comes to relations between the two countries. We have a long way to go when it comes to telling Americans about the unbelievable success that Georgians have achieved over the last decade. An open market and democratic society is the reality in Georgia today. Also, I want to emphasize the value of the country as a regional hub. Investors must see that the Georgian market goes beyond local borders, and can be discussed in a larger, regional context. The major point is to bring potential investors to Georgia. We talk a lot about the simplicity of doing business on the local market, the favorable tax regime, the reform-oriented government, and Georgia's western commitment.

But it is impossible to convey everything through presentations and speeches. Georgia is so much more attractive close-up.

You have been the president of the American Chamber of Commerce in Georgia for four years. During this period, which American companies have entered the market with your support?

Many western companies contact us. The American Chamber of Commerce introduces them to the Georgian market. We do everything in our power to represent the best potential of the local market. However, companies make decisions independently; we do not consider any of it to be our personal achievement. But the American Chamber of Commerce is trying hard to attract investors to come to Georgia. For instance, last spring with the support of the US State Department, the Commercial Department, as well as the American Chamber of Commerce in cooperation with various





“The Georgian population has many problems to deal with, but with the recovery of the world economy, Georgia has a number of prerequisites for progress, such as access to the EU market and a great potential for investment from the West, Iran, and China.”

Turkish representatives, we invited a delegation of American companies. DOW Chemicals led the largest group of business visitors. We introduced the future prospects of the Georgian market to the companies that have already invested in Turkey. We are still negotiating with the delegation members. This year, we are hosting the film industry trade mission.

Can you think of specific cases, when the government took your advice into account?

The government is always ready to cooperate. Our relationship is not limited to either accepting or

rejecting our advice. We were actively involved in working on labor law, and we contributed a significant amount of time and work to simplifying visa regulations for entering Georgia. Thanks to the joint efforts of the American Chamber of Commerce, and the Ministry of Economy and Sustainable Development of Georgia, we have established a facilitated regime and a welcoming environment for foreigners. In cooperation with the Investors Council, and the Association of Law Firms of Georgia, we rewrote the law, so it prevents the government from freezing a company's accounts without a court decision. This is something we have been

demanding from the government over the years. The Prime Minister was supportive of this project, and we are going through the final phase of the project together with the Ministry of Economy and Sustainable Development of Georgia and the Ministry of Justice of Georgia. At the moment, we are working on the Estonian tax regulation model. Mr. Kvirikashvili understands the challenges we are facing, and we are working effectively together to find solutions.

Which legal regulations have made investors hesitant to commit to certain projects in Georgia?

It's quite difficult to say what exactly the reason was. I cannot speak about specific cases, but there were some negative factors, such as legislation that restricted foreign citizens from purchasing agricultural land in the country, as well as the introduction of the new visa regime, and cases where a company's accounts were frozen without a court order.

What should Georgia do to become more attractive to foreign investors?

There's a lot more that can be done to attract investors. Of course, there is no magic recipe for this. However, business development, improved tax administration, rule of law issues, stability, and the predictability of legislative policy—all these factors combine to create an attractive investment climate.

What is Georgia's position in the region, and what are the prospects for the country on the international markets?

Georgia has achieved amazing success on a regional scale. The national currency exchange rate is unfavorable, but compared to the currency of Georgia's neighbors, the Georgian Lari has remained relatively stable. The country's economy is slowly but steadily increasing, foreign direct investment inflows seem impressive. The Georgian population has many problems to deal with, but with the recovery of the world economy, Georgia has a number of prerequisites for progress, such as access to the EU market, an improved situation in the region, and a great potential for investment from the West, Iran, and China.

Is Georgia ready to meet the Western standards set by the Europe's Deep and Comprehensive Free Trade Agreement?

Today Georgia is not ready, but a deep and comprehensive free trade agreement with Europe provides for this challenge. I believe, in the long run, the trade agreement will bring economic and political benefits to the country. Everyone should understand that this process is related to cost increase, so it is necessary to inform the population about the possibilities of entering new markets and introducing new standards.

Georgia should consider carefully how to introduce regulations. They should not be pushed excessively in a short period time. It is crucially important to be consistent. The country's economy is still very fragile, and compared to the other European markets, requires more openness. The European Union and the United States support Georgia in confronting these challenges.

A free trade agreement with the United States had been considered over the years. Can we expect to successfully complete the process in the near future, and what kind of inhibiting factors are we dealing with?

Unfortunately, a free trade agreement with the United States will not be considered in the near future. Georgia is doing everything it can to achieve progress, but at this point, The US's trade mission focuses on trade agreements with the European Union and Asian countries. Active dialogue with US trade official is still underway. It will only be possible to consider the case of Georgia after the end of these discussions. I think that a deep and comprehensive free trade agreement with the European Union will also benefit the relations between the United States and Georgia.

The political situation in Georgia in the upcoming election is becoming increasingly tense. How could the election year affect investors?

Unfortunately, the reality is that everybody is cautious during the election year - especially in developing countries. Compared to 2012, the



situation is stable. We hope that a quiet environment will be maintained. Georgia is ripe for decent elections. Other turns of events will only damage the country.

You and your Georgian husband have established an information technology company in Georgia, when this field was entirely a novelty. How did the local business environment work in UGT's case?

UGT is an information technology company. We were young, and this field, which was totally unfamiliar to the Georgian market, was very attractive to us. George had just graduated from Oxford University, and he is also a graduate of Tbilisi State University. He's an astrophysicist. I had a high-paying job and a successful career in the United States at that time, but we decided to take risks and start a business in Georgia. That's how we became entrepreneurs.

In order to survive in the modern world, Georgia needed rapid development. We had to handle this difficult challenge. We were fortunate, because the old generation -the so-called 'old army' of the Shevardnadze regime -did not know anything about this sector, and we stayed unnoticed by them. That is why, unlike other companies, we were lucky to avoid problems with the government. I can say that we were under the radar until we grew to the point where we could defend ourselves. Despite the challenges, we managed to keep the image of company with Western values.

In the beginning, we had few computers and ten people working. Today, UGT has 350 employees. We started with a five-year business plan, which has turned out to be successful. The company's annual growth has been impressive. We are still working on this principle; we set up a new strategy every five years.

With regard to some internal challenges, how did you manage to find professional IT personnel?

Georgians are intelligent and talented, they learn quickly. During the 90s, when we started the business, there was a strong influence of communism, and it was extremely difficult to find qualified staff

in the fields of technology, business ethics, sales, marketing and customer service. Over the years, together with our partners, we invested in training courses and the professional development of our employees. This problem does not only affect the IT sector, human resources also remains a problem on the local labor market.


The president of UGT is your husband. What are the pros and cons of the family business?

In our case it works well. But I cannot speak for everyone. We are partners at every stage, and in every aspect of our lives. We never take a superior attitude towards each other. The only downside may be that we often continue talking about work at home. Debate about UGT, the American Chamber of Commerce or any business issue during a family dinner is definitely not what our children like. So usually they quickly stop us. My husband and I do not have severe reactions, we try to respond to our children's anger with humor.

Given the tight schedule, how do you find time for family?

It's very difficult. However, running our own business gives us the advantage of working flexible schedules. I try to return home in the evening around five or six o'clock, and spend time with my children. This means that I continue working after they are asleep. Of course, all decisions we make are in the interests of the children first of all. I believe in the benefits of family holidays. We are working very hard to find time to take care of our children.

What is the most important for you and your family in Georgia?

Georgia is our home. We love this country - the mountains and sea resorts are equally available in Georgia, which is a very pleasant fact. We love Georgians and the expats who prefer to live in Georgia. A lot of educated, interesting, and adventurous people live in this country. I am proud that I am their friend. I have been living in Georgia for over 18 years, and leaving this country is not included in my plans. 



Once in China - Twice in Georgia

Just two years ago Isiao Jiunumi made \$40 a month.
Now he is making millions and his name is Sandro Bregadze.

AUTHOR: ALEXANDER BAGRATION-DAVITASHVILI



Chinese businessman Isiao Jiunumi is known by the name of Sandro Bregadze. His astonishing story is known far and wide - from the Georgian markets of Eliava, all the way to Beijing. It's almost like the story of Aladdin, except Isiao Jiunumi did not receive help from a Genie, and neither did he marry the Sultan's daughter. Just a few years ago Isiao Jiunumi, who is now known as Sandro Bregadze, made only \$40 a month. Now he owns a shipping company called Suolun, and a chain of Georgian Wine Houses.

In China, it is common for children from poor families to get a job at an early age. Bregadze himself began working while he was still in school. First he worked at his relative's shop for a few Yuan. Because he was drawn to new technology, Bregadze began working at an internet café. Eventually, he took another job working as a loader for a shipping company called Cargo Georgia. It was a hard job, but he made more money there - approximately \$40 per month. "I did not speak any other languages at the time aside from Chinese, and \$40 was a good wage for me during that period. I was working with Georgians, ethnic Azeris and a few Kurds. I learned how to load and sort cargo in the warehouse. When I had free time, I began learning Georgian and Russian from my co-workers," recalls Bregadze. Bregadze has always exhibited exceptional talent, diligence and devotion towards his work and studies. He says that these are traits that he had inherited from his ancestors - the Shibini tribe. Shibinis were hunters and warriors, and were viewed by Chinese Emperor Chen Lo as his most reliable defenders and ally. 252 years ago, Emperor Lo ordered the Shibinis to move towards Kazakhstan in order to strengthen the border. The tribe had to cover 10,000 kilometers. They were given two years to complete the journey. The Shibinis managed to reach their destination in just nine months, settling near Urumqi. The Shibinis no longer reside in their historical settlement, and have since mixed with other tribes. But there still remains 170,000 Shibinis that reside near the border with Kazakhstan. Through it all, they have managed to preserve their language and traditions. Eventually, Bregadze moved from Urumqi to Yiwu, where Cargo Georgia had its main warehouse.

"For two years my wage was \$150 a month. Then it was \$200, and after working for the company for five years, I was paid \$350. At the time, I wasn't thinking about saving money. I just wanted to learn something. But then I met

my future wife and everything changed," he said. There is a reason why I compared Bregadze to Aladdin. His marriage is very much like the story of One Thousand and One Nights. He tells the story of his marriage with so much passion and sincerity, that I am completely captivated.

To make this long and wonderful story short, Bregadze's future in-laws refused to give away their daughter because Sandro did not have his own home. So his Georgian friends helped him by collecting money to buy a house. After that, they gave Bregadze the so-called 'bride buy-out' money.

"We have a tradition where we throw a lot of money in front of the bride's house. The family of the bride can take all of the money or just some of it and return the rest. If they don't take any money, it means they refuse to give away their daughter. So I asked my future wife to tell her mother to take only a small portion of that money, since I had to return it to my Georgian colleagues. But my future mother-in-law still took 20,000 Yuan, and that's how we got married," Bregadze recalls as he laughs heartily during the interview. "It was the first most beautiful day in my life," he added.

When the managing partners of the company split up, Bregadze asked his boss for permission to set up his own shipping company. His boss gave him the green light, and that is how it all started.

"I come from a very poor family that lived in the town of Khorgas, in Xinjiang province. I have one younger sister and three older brothers. I am the fourth child in the family. My siblings were unemployed, so I decided to bring them to Yiwu and teach them how to work in the shipping industry. That's when I decided to set up a new company and call it 'Suolun'. Suolun means 'reinforcement of mountains' in the Shibini language.

Bregadze had many duties at his company. He was a translator, and he did market research. He also acted as a sales agent and consultant, and did many other things that were required of him. Bregadze's siblings were given various jobs in the company.

"We rented a small apartment for an office in the commercial district of Yiwu. We lived, ate and worked in this office. We tried to cut expenses as much as we could, because we reinvested every single Yuan that we earned. We managed to buy a car in the first year, and during the second year, we bought our own office space in the center of Yiwu," Bregadze notes.



Bregadze came to realize some fundamental truths in the beginning of his business career. You can make money in a big country even if you're working on a low margin. This takes more time, but when you earn low interest rate, it is absolutely necessary to be totally honest in your business. Bregadze does not have a degree in business, and he is not sure if they teach all this at business school. However, Bregadze's innate talent and secondary school diploma was enough for him to get rich.

Three years after its establishment, the Suolun Company shipped 800 containers to Georgia. The containers held various products of the highest quality. According to Bregadze, the total shipment amount exceeded \$80 million. Suolun also operated as a local 'LinkedIn', and connected Georgian and Chinese small and medium businesses. Suolun charged from 0.5 - 1.5% for mediator services, and even that was nullified if the companies used the Suolun shipping services.

Bregadze's business was going well. The Suolun company was making a lot of profit, and became very popular within Georgia's Eliava and Lilo markets. Bregadze's company became one of the largest suppliers of Chinese products on the Georgian market. In 2014, the company expanded

and bought another office for half a million US dollars. The company faced its first crisis in 2015, when the value of the US dollar increased. This led to the bankruptcy of the majority of companies that were supplying Georgia and its neighbors with Chinese products.

"Turnover decreased by 40% and then it halved," laments Bregadze. "However, I was happy that we did not lose more, since many companies around us just closed their businesses," he added.

Sandro Bregadze realized that he needed to come up with a new venture in order to pull his company out of the crisis, but he wasn't exactly sure what to do. Later, his childhood friend Guan ShueLian, also known by his mystic name 'Boris', advised him to try selling wine. "I started my research. I read a lot about Georgia and its wine-making traditions. It turned out that in spite of the fact that I had worked with Georgians for so many years, I basically knew nothing about Georgia. There was wine in Georgia 10,000 years ago. In fact, the word 'vino' originated in Georgia. So, I decided to travel to Georgia and personally acquaint myself with Georgia's culture and traditions, and also taste Georgian wine. I have some very good friends in Georgia, and they helped me choose the

best wines. I decided to send two containers of Georgian wine to China. In the meantime, I tore down the conference room on the first floor of my office and renovated it. I wanted it to look like a Georgian wine cellar, so I incorporated traditional Georgian elements into the design," he explained.

The arrival of the wine containers coincided with the celebration of the New Year. Bregadze picked the best marketing plan and carried out a massive free wine-tasting campaign. He knew that Chinese cuisine was drastically different from Georgian cuisine, and therefore he ordered mainly semi-dry and semi-sweet wine.

"Despite the fact that China is one of the largest wine producers in the world, it is still hard to find good wine here. French wine is very expensive, so the average consumer tends to buy beer or stronger alcoholic beverages instead. But the reasonable price, and good quality of the Georgian wine caused quite a stir in Yiwu. In the blink of an eye, I sold two containers of wine, and it happened in just a week," Bregadze recalls fondly.

This is when he realized that he had found something very profitable. He immediately ordered twice the amount of wine and sold that shipment quickly. There were lines of people standing in front of his hastily-built cellar.


The second order was followed by a third, which was worth \$1.5 million USD. Then came a new business idea: Bregadze decided to build a Georgian Wine House in Yiwu. The wine house would incorporate the functions of the Georgian historical museum and information center. He found a suitable place for the wine house - a beautiful abandoned house near an old Catholic church. In a about months' time, the Georgian Wine House was already hosting its first guests. Seven months after the opening of the first winehouse, there were already eight Georgian wine houses in various cities of China. Bregadze says that he finally found a business that he can operate not for just the profit, but for his pleasure. He notes that his main inspiration is the Georgian attitude towards their wine. At the end of June, Bregadze plans to open yet another five-star Georgian Wine House in his hometown of Urumqi at a cost of \$700,000. The total area of the new wine house is 600 m², and it will house up to 40,000 bottles of wine. After that, Bregadze plans to build a huge wholesale warehouse, which will ensure that his wines are delivered in a timely manner throughout China. "There's been a huge increase in the demand for Georgian wine since we opened our wine houses. There are lots of retail and wholesale markets that want our wine. I never ex-

ceed a 15% markup. I allow wholesalers a 40% markup and retail stores a 90% markup. I want ordinary people, those who cannot afford to pay \$200-300 for a bottle of French wine, to appreciate and love Georgian wine," he says.

The Georgian Wine House constantly promotes Georgian history and culture. Bregadze says that it's hard to draw the interest of Chinese customers no matter what the product is, unless they know the history and origin of a product. The Georgian Wine Houses offer their customers free wine tastings, lectures on Georgia, various meetings and films on a daily basis. Bregadze regularly hosts Georgian diplomats and businessmen. He places an emphasis on the healing properties and organic consistency of Georgian wines. These are the two most important criteria for Chinese consumers. At the moment, Sandro Bregadze, a self-proclaimed Gurian from Makvaneti, who was baptized as a Christian in Tbilisi, and is deeply in love with Georgia, has two children - Avtandil and Barbare, and is a representative of the Georgian Chamber of Commerce in China. Bregadze's business partner - Tbilinvest - is one of the largest business groups in Georgia. The Georgian Wine Houses in China are a joint project of the Suolun Company and the Tbilinvest Group. Bregadze and the Tbilinvest's member company 'Madloba', are preparing 17 containers of wine for export. By the end of the year, they are planning to export a total of two million bottles of wine. Bregadze is particularly proud and grateful, as he recalls his meeting with the former Prime Minister of Georgia Irakli Gharibashvili.

"My Georgian partners and I had the opportunity to acquaint Mr. Gharibashvili with our business projects. Mr. Gharibashvili and other members of the Georgian government played a major role in the success of our business," says Bregadze. "I promised our minister that by 2017 we would open from 50 to 100 wine houses in China," adds Bregadze, who often uses the word 'our' when referring to Georgia.

"Everything that I have, I owe it to Georgians. I would not have my company and the business that I love so much if it weren't for the Georgian people. I want every single person in China to know about the small country of Georgia, a country with a very rich culture and most importantly, very kind and talented people."

I would like give special thanks to the Embassy of Georgia to China and the Trade and Economic Mission of the People's Republic of China to Georgia for their assistance in preparing this article. 



1ST GEORGIAN MANAGER OF 5* INTERNATIONAL HOTEL BRAND IN GEORGIA

STORY BY ANA TSKHOVREBOVA



In a small country like Georgia where the hospitality industry has only had about two decades to develop, it's rare to find someone who is responsible for opening 17 hotels. Shalva Alaverdashvili, who is currently managing Rixos Borjomi, is the first Georgian manager entrusted to manage the high-end 5* international Rixos brand. This achievement is largely due to his extensive experience in the hospitality sector, where he had a humble beginning as a dishwasher, later ending-up in top management at a luxury hotel.

Shalva Alaverdashvili looks back with pride during the time he returned to Georgia from the UK in 2006 to become the manager of the first Georgian five-star hotel brand –the Georgia Palace Hotel in Kobuleti. Prior to coming back to Georgia, Alaverdashvili lived in London for 7 years where he studied hotel management and hospitality, while simultaneously working for several hotel brands.

“My specialty is opening hotels and getting them on track,” explained Alaverdashvili. “I plan, develop and open hotels – make them work for their owners –then I go home,” he added.

It's too early to say whether he is literally going home, but he is sure that if some day he decides to open his own hotel, it will be a boutique hotel and a really good one at that.

Before Alaverdashvili can worry about opening his own hotel however, there are others he needs to be concerned with right now, and Rixos Borjomi's investors rely on him. Owned by both the Georgian Partnership Fund (50%) and KazMunaiGas Service Georgia (50%), the 151 room hotel is located in the pre-alpine area of Borjomi. The five-star hotel offers guests a luxury retreat in a part of Georgia traditionally known for the curative properties of its natural spring water.

Spa and wellness are the two things Rixos Borjomi is known for. The hotel offers a wide variety of services based on the healing properties of Borjomi's mineral waters – this in combination with their unique purification and revitalization programs.

Even in Georgia, many people do not realize that the 19th century Romanov Palace, which was used by Mikhail Romanov's son Nicholas Romanov as a summer residence, is the same place that the Rixos Borjomi stands today. More recently, during the Soviet period, the palace was referred to as the Fourth Department, and it drew many tourists.

“The Fourth Department was a very famous place. Many Georgians and tourists from the post-Soviet space spent their holidays there. It was a very prestigious place for

people to spend their vacation,” explains Alaverdashvili.

According to Alaverdashvili, even the concept of the resort has not changed. Today, Rixos remains a place where people can receive personal health procedures, and many of those procedures are included in the rate they pay for the room.

The water found in Borjomi is famous for its therapeutic properties. Many disease symptoms, including those related to chronic gastritis, diseases of the liver, urinary tract infections, and the respiratory tract, can be alleviated with Borjomi’s famous spring water.

“Many guests undergo therapeutic procedures under the supervision of professional doctors,” notes Alaverdashvili.

According to him, this is not the only benefit that Rixos Borjomi offers. The fact, that the resort is in close proximity to the Bakuriani Ski Resort, is also beneficial to Rixos’ guests. In fact, during the winter season, guests of the Rixos Borjomi Hotel can heal themselves and then ski in Bakuriani each day. For this they are provided transportation to and from Bakuriani. In retrospect, when you stay at the Rixos Borjomi, you can enjoy the benefits of two resorts all at once.

Most visitors that stay at the Rixos Borjomi are Georgians, come from Kazakhstan and other post-Soviet countries. The hotel offers packages of 1 week, 10 days or 2 weeks. The hotel also has separate, promotional offers on weekends, which are becoming increasingly popular among Tbilisians, who often choose to escape the city on weekends. During the summer months, there are routinely 280 guests in the hotel each day.

As manager of the Rixos Borjomi,

Alaverdashvili vows never to jeopardize the quality of service the hotel provides its guests. He personally keeps abreast of all the feedback and comments hotel guests provide. He does not want to overlook any problems with the service, and makes sure that whenever a problem does arise, it is addressed immediately.

On the other hand, he strives to change stereotypes within Georgian society, especially when it comes to premium-class hotel prices.

“We aim to make our service affordable for all segments of society. People don’t have to think that a five-star hotel is too expensive for them,” says Alaverdashvili. To back-up his words, he cites a promotion the hotel offered during the spring season when a double room at the Rixos Borjomi included breakfast at a cost of \$99 USD per night. “This is quite a cheap and acceptable price for a five-star hotel,” he emphasized.

That said, competition is not enough when it comes to attracting tourists. Alaverdashvili believes that in addition to Borjomi, the whole country needs to be promoted internationally as a resort-rich locale, since spa resort visitors are big spenders and tend to be long-term guests.

Alaverdashvili points out that managing a hotel is quite a complicated job. He says that one of the most important guidelines you need to keep in mind is the understanding that the customer is always right. He notes that a good manager has to keep a balance between the guests and his own personnel.

“You need to support your employees and staff, but also make sure that your guests are satisfied,” he cautions.

Having gone through all the career steps



in the hospitality sector helps Alaverdashvili maintain this balance. He knows very well how challenging the work of the hotel personnel can be, and what the rewards should be for their hard work. This is probably the reason why many who have decided to invest in hotels in Georgia invite Alaverdashvili to help plan, develop and ultimately get the hotel on track. Every day he receives calls from various people.

“Everyone wants to have their own hotel now. So I believe that soon, that all

qualified personnel will be praised more often, and the hotels that have the best personnel will be in the best position,” says Alaverdashvili.

Mr. Alaverdashvili and his management team run two successful hotels in Tbilisi and are planning to open several new hotels in the near future.

“Don’t ask me how I manage to be everywhere. This is even harder than managing hotels. But I get by,” Alaverdashvili told me.

Somehow, his answer does not surprise me.

Start-up Boom

AUTHOR: ANNA TSKHOVREBOVA

On June 17, Georgian startups began receiving funding for the implementation of their innovative ideas from the Partnership Fund and Georgia's Innovations & Technologies Agency.

During the first stage of the funding, the government will allocate 11million GEL to finance high-tech startups. In the future, the budget is expected to increase to 35 million GEL. The agency will fund mostly startups with high-tech ideas. However, all business ideas submitted to the Partnership Fund should contain an element of innovation. In return, the agency will obtain up to a 5% share in the capital of the startup, and will receive the same amount of income from the startup's profits.

The Partnership Fund will also set up a subsidiary company called Startup Georgia, which will create a new joint company with each selected beneficiary. The program beneficiaries will be required to pay a minimum 10% of the project price, while their business ideas will be automatically considered as a 40% contribution to the capital. Accordingly, the beneficiary becomes 50% shareholder of the company. The Partnership Fund is restricted from owning more than 50% of the shares in the newly-established company, and has to withdraw from the project after ten years. The minimum funding for each submitted project is 15,000 GEL with the maximum amount being 100,000 GEL.

The startup owner will not be required to provide collateral in order to receive funding for their projects. The selection of the projects to be funded will be carried out based on a competition. In order to ensure proper implementation of the first stage of the selection process, Georgia's Innovations & Technologies Agency plans to work with venture and angel-investors from Silicon Valley, who have broad experience in the discovery of startups that have global potential. In the second stage of the selection, a five-member panel from Silicon Valley will conduct one-on-one interviews with the authors of the innovative startup projects.

This is the first time that the government of Georgia plans to institutionalize the funding of startups. In the framework of this program, innovative businesses will be exempt from paying import, value-added and profit taxes. The Innovations & Technologies Agency is working on legislative reform that aims to create additional incentives for private businesses, and those who are willing to invest in innovative enterprises. For instance, the agency is trying to create a legal framework for the public financing platform, also known as 'crowd funding'.

According to the government of Georgia, the goal of 'Startup Georgia' is to facilitate the country's rapid development. However, some experts believe that funding startups will not help in achieving this goal.

"Risky capital means investing in an idea. That's what venture capital is all about.

Venture capital funds high-risk business ideas. Georgia should first create the appropriate climate for the emergence of venture capital, so that it can fund startups. By funding startups, the government will end up spending tax-payers' money for investing in startups, and this will not be beneficial to Georgia's economy," says Chancellor of Free University in Tbilisi, Vato Lezhava.

For precisely the reason that investing in innovations is a risky endeavor, the Innovations & Technologies Agency is convinced that the government's support of the startups at the early stages of development is essential. The agency cites the example of many developed countries including the United States, where the state is an active participant in the early stages of startup development.

"This is just the first step to get the Georgian startups on the global market," says Deputy Chairman of the Innovations & Technologies Agency, Avto Kasradze.

In order to facilitate the process of exporting Georgian startups onto foreign markets, the Innovations & Technologies Agency provides various training courses, coaching, mentoring and consulting services for all program beneficiaries. However, these services are also available to other startups that have been working on their business ideas at the Techno Park Business Incubator for the past few months. Here are some of the notable startups that stand to gain from this new approach.



Four Brothers Time - Z4

IDEA: Andria Emkhvari, Rati Emkhvari, Saba Saluashvili and Zaal Saluashvili are brothers. The idea of making wooden clocks belongs to the youngest brother Zaal, whose hobby was working with wood. That's where the name of the company comes in: Z for Zaal and 4 symbolizes his four brothers. The first clock made from boxwood was warmly received, and was soon followed by other similar clocks. Z4 models are mostly made manually by hand, but the brothers also needed certain equipment for the wood processing, which they did not have. After entering the Techno Park Business Incubator, the brothers received initial funding in the amount of 5,000 GEL, and access to the wood processing machine that is available at the Techno Park.

PLANS: To create a Georgian brand of collectible clocks through their own production. At the present time, the production of a single clock may take several weeks, and the demand for these clocks is rather high. The quality of the clocks is also very high. The wood boxes

used for making these clocks are very expensive. The four brothers use a Swiss ETA mechanism and unique designs to create their clocks. As a result, the price of the clock often exceeds 1,000 GEL. The four brothers plan to improve and expand their production. However, their clocks will be produced in limited editions, and will be collectible, as opposed to mass-produced.

GOAL: In order to sell Z4 clocks first on the Georgian market and later abroad, the goal is to have their own production, equipment and staff. Buying all the necessary equipment for the production of the clocks requires a sizeable investment. However, this is a long-term perspective. Therefore, the brothers plan to enter the startup funding program. At the present moment, the brothers receive damaged or dried box wood material from the state by legal means, or they simply buy it from private entities that have a state license to sell the material. The eco-friendly brothers intend to plant one boxwood shrub for every clock they sell.

Easy honey from 'Stem Honey'

IDEA: The production of honey is very time-consuming and hard work. A farmer needs to put on special protective gear, remove the honeycomb frames and place the frames in an extractor - a centrifuge that spins the frames, forcing honey out of the comb. This machine is quite expensive and therefore most beekeepers use self-made machines to strain their honey. This of course, affects the quality of the honey. However, Joni Petriashvili and Parnavaz Patsinashvili came up with a new concept, which makes the honey-making process much easier, while at the same time maintaining the quality of the honey.

With Stem Honey, beekeepers can simply go to the hive and open the tap, which is connected to a special mechanism inside the hive. With this simple step, beekeepers get pure, raw honey ready for further processing.

PLANS: Joni and Parnavaz tried to modernize a beehive with their own money. However, the results were not very encouraging. Since they entered the Techno Park Business Incubator, Joni and Parnavaz have received a lot of support - both technical and in the way of business development. They are currently working on a prototype

of a modernized beehive in the so-called 'Fab Lab'. They estimate that Stem Honey's ready product will be available in about three months. After that, Joni and Parnavaz plan to expand their production. The novice businessmen believe that their modernized beehives can be used in apartment buildings, on rooftops, school yards and other unorthodox places. They say that this will enable amateur beekeepers a chance to become successful entrepreneurs.

GOAL: "To increase the production and export of honey in Georgia, and to turn beekeeping into a profitable business." The authors of Stem Honey frequently hold meetings with various businesses and acquaint them with their new product. Joni and Parnavaz say that most enterprises show a lot of interest in their product, and that they have already found some potential clients. The authors of Stem Honey want to start their own production and are looking for an appropriate building. Even though mass production requires a sizeable amount of capital, Joni and Parnavaz are ready to settle for small-production at the initial stages.





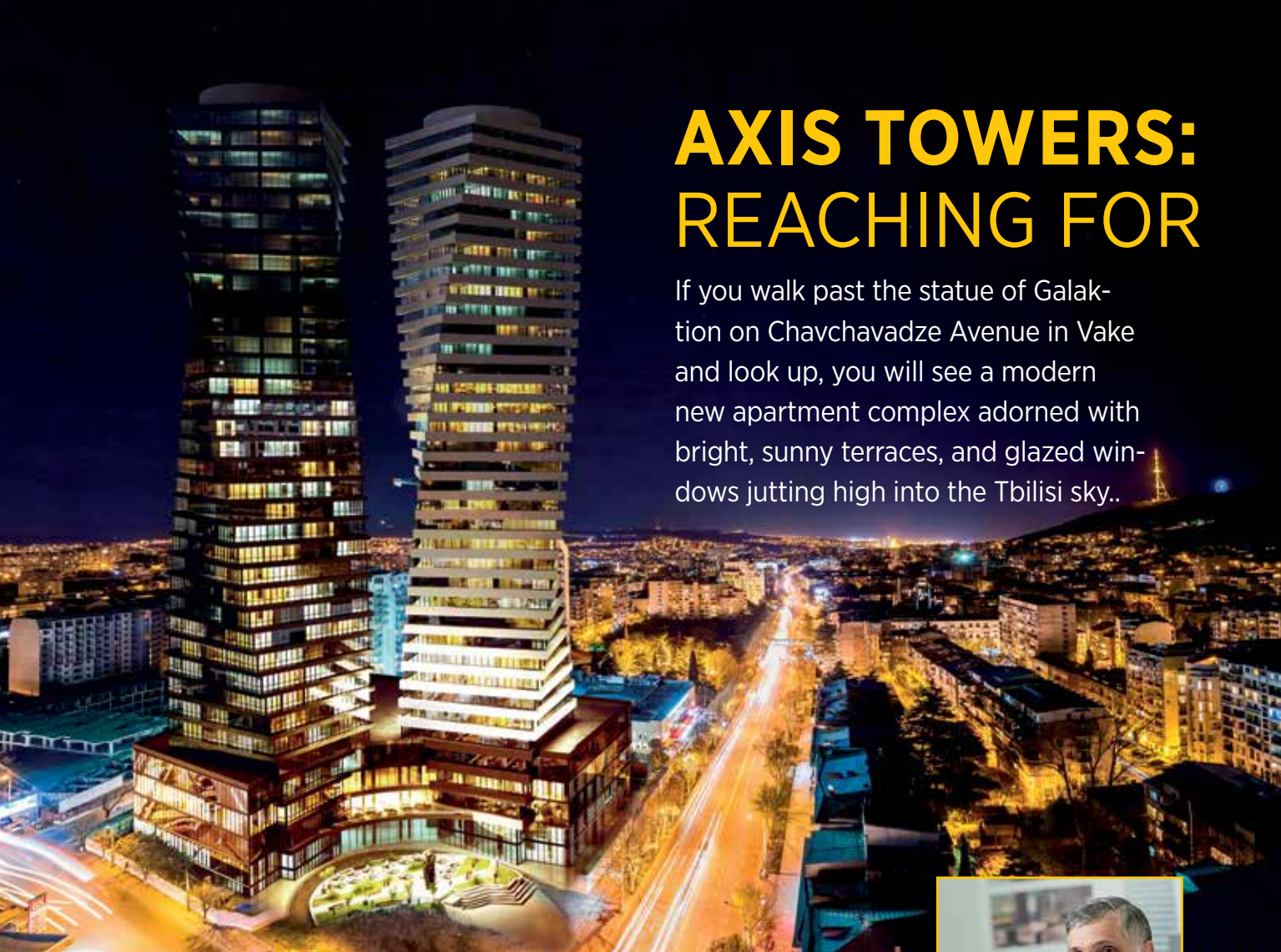
Playground Games Kits- 'Tamashobana'

IDEA: Nona Songhulashvili and Nini Chikovani met in Borjomi and they continue to work there. Nona works as a market research manager and Nini works as a brand manager for the Bakuriani Company. The idea of creating 'Playground Games' came when Nona and Nini were spending the summer with their kids at their summer house. They could not find a piece of elastic to play 'French Elastic' or 'French Skipping' with their children. At the moment, Nona and Nini have created a total of ten playground games that promote children's socialization: Button, button, who's got the button?, Blind Man's Bluff, Capture the Flag, Playground Rhymes, Catch/Racing, Spelling Game, Joker, Portable/Picnic Backgammon, Ball Games, French Elastic and Lotto. Most of the game kits are handmade and use eco-friendly materials. The initial capital of the company was 30,000 GEL. In the first three months, the company sold 12,000 GEL worth of game kits. The price for the game kits start at 22 GEL, and they are already available at three large toy store chains.

PLANS: Expansion of the sales network. Nona and Nini have been working at the Techno Park Business Incubator

since March. With the help of the management academy, Nona and Nini were able to change their business model, and form a business that is destined to become successful. The new business model will make game kits available for all segments. They have already created prototypes of the updated versions of the games in the Techno Park Fab Lab. While working at the Techno Park, Nona and Nini came up with a new idea for a new project - 'Celebration Game', a game in which participants can arrange fun celebrations for both young and old. Even though the Techno Park offered to assist Nona and Nini with the arrangement of meetings with potential investors, they turned down the offer for co-investment, and are planning to participate in the state-funded program for startups instead.

MISSION: Based on their new business model, they are convinced that Tamashobana will grow from a small enterprise into a real toy factory. They plan to export their toys by the end of the year. In addition, Nona and Nini are eager to cooperate with City Hall, so they can get their toy kits into schools and kindergartens. However, at this point, they are only in the negotiation stage.



AXIS TOWERS: REACHING FOR

If you walk past the statue of Galaktion on Chavchavadze Avenue in Vake and look up, you will see a modern new apartment complex adorned with bright, sunny terraces, and glazed windows jutting high into the Tbilisi sky..

..Axis Towers is the first multi-use complex in Tbilisi that offers residential property located in a stone tower. The company, whose ambition is to conquer the heights of architecture, offers its future residents living conditions like no other – natural white stone cladding, sliding windows, modern central heating, a ventilation system, 24-hour security and concierge service, and five fast elevators.



RESIDENTIAL APARTMENTS IN AXIS TOWERS will begin on the 7th floor. The minimum space of each apartment is 43 m², and all corner apartments feature a 13.4 m² terrace. The 37th floor is located 147 meters from the ground and offers captivating views of Mtatsminda, Vake and Tskneti. The construction of the frame of the residential tower will be completed by the end of August, and the company will begin work on the structure's façade in September.

In 2006, Axis, one of the leading construction companies in Georgia, embarked on a mission to conquer the heights in architecture and is now almost to the finish line. However, after the crisis of 2008, when Georgia fought a short but devastating war with Russia, the grand construction project had to be put on ice. Then, after an almost eight-year hiatus, construction of the twin towers finally resumed in 2015 – a direct result of the ongoing cooperation between the Axis Company and the Georgian Co-investment Fund (GCF). The investment is just as large as the project

itself. \$83 million will be spent on the construction of the twin tower complex. Along with the residential property, the new skyscraper will feature a class-A business center with office space, a hotel, restaurants and facilities for entertainment and recreation. Director General of the Axis Company Temur Chokhanelidze has been at the forefront of the Axis Towers project since 2006.

Mr. Temur, you mention that Axis Towers is the best project ever. How can you convince me? Why should I pick Axis Towers?

There are a number of reasons that make this project unique. The first reason is rather subjective: tenants will reside in a building with an exceptional architectural design, and one fitted with modern technologies. Axis Towers is also very interesting both structurally and visually. Secondly, it allows people to live in an entirely new environment – a city within a city. Axis Towers is a multifunctional building that will feature a hotel, office space, restaurants,

ARCHITECTURE THE SKY



cafes, bars, recreational facilities and a parking garage. It is a fully developed structure that creates an environment for comfortable living. We are setting new standards for residential property and offer our customers an opportunity to live close to the sky. The majority of the apartments are close to parks and the nature outside, and have terraces equipped with sliding systems, which allows you to spend time on your own balcony in good weather and create your own winter garden during periods of bad weather.

We all know that views add particular value to residential property. What kind of views do the terraces of your skyscrapers offer?

The terraces overlook the Funicular, Trinity Cathedral, Vake Park, Bagebi and Tskneti. The apartments located in the back side overlook Saburtalo. You need to look down from the terraces, in order to get the full sensation.

What is the price per square meter at Axis Towers?

The price per m² of residential property starts at \$1,500 and varies depending on the floor. The closer you are to the sky, the more you have to pay for your apartment. The lowest floor of the residential property is actually quite high, and is located 24 meters from the ground, which is about equal to the 8th floor in a standard apartment building. There are going to be approximately 118 apartments in Axis Towers and already, nearly 15% of them have sold so far.

What kind of consumer did you target with this new complex? Which segment did you take into account when this project began?

Conceptually, we believe that Chavchavadze Avenue is a continua-

tion of Tbilisi's tourist zone, and is directly tied to the tourist area in the Old Town. However, if the Old Town offers traditional tourism, the Chavchavadze segment can be viewed as the business tourism area. There are a few other hotels underway on Chavchavadze Avenue and we welcome these projects, since the entire district will assume a certain function. Our hotel will be focused on business tourism and the office spaces located in the new towers will also be linked directly to this concept. We plan to create a high-end commercial space, which is rare in Tbilisi at the present moment. Quite a few large companies have already expressed their wish to move their offices to Axis Towers. However there will be office spaces available for smaller companies as well.

As for the residential property, we offer a very democratic pricing policy. Our prices are reasonable. The residential property is affordable for businessmen and those who have a decent stable income. In addition, we offer our clients very flexible terms of payment. We recently announced a special offer for those who want to buy apartments in Axis Towers - we offer our clients the option of purchasing their apartments without a down payment. According to our proposal, 30% of the apartment's cost will be redistributed and you can pay gradually until 2017, when the apartment is completed. The remaining 70% of the cost can be paid in whole or in monthly installments. The advantage of our special offer is that you can go to a bank with a pre-paid 30% and the bank no longer asks you for a down payment.

Will those that purchase an apartment be able to participate in the planning of the interior design? And if so, to what extent?

We expect our buyers to be very selective and demanding. Therefore, we have a set of compulsory pre-defined requirements for the interior design of the apartments. The owners of each apartment will receive a fully renovated living space. Additionally, we have a strict timeline for the completion of the interior work, since we don't want our new clients to suffer any inconvenience due to protracted renovation work being done on neighboring apartments. In order to help our perspective clients in the decision-making process, we offer them a full range of interior renovation work. Our designers will offer our clients planning services at an affordable rate. However, our offer is not obligatory, and our clients can do the interior design themselves, provided that they adhere to the defined timeline.

You said that your company uses innovative materials. This sounds like a slogan for your advertising campaign. Can you be more specific as to what kind of innovative materials you use, and where you buy them from?

We are not only talking about the construction material, we are also talking about the technology and equipment our company uses. For instance, the elevators we chose for the complex are some of the most contemporary on the market. They are also some of the fastest. There will be a total of 22 elevators inside Axis Towers. Such rapidly moving elevators will facilitate the independent movement of traffic. This is very important for a multi-functional complex. There is also a number of important technological aspects to the new complex that are not immediately obvious. For instance, the fire safety system. We have a very serious approach in this regard. The structure of the twin towers can also withstand earthquakes with a magnitude of up to 8 on the Richter scale, and maximum wind loads. A scale model of the towers passed aerodynamics tests and other types of load testing by leading Czech and UK institutes that specialize in such things. It all ensures the safety and comfort of our tenants.

In the first stage of our quest for the right technology, we tried to engage Georgian companies as much as we could. It is essential that we promote employment in our country. However there are certain types of technology that are not yet available in Georgia, and so we have to expand our search worldwide. For the implementation of the Axis Towers project, we have chosen to use various technologies from a number of countries, including Belgium (façade), Germany (stone), and Japan and France (glass). We used special low-emissivity glass in both towers. This is a type of energy-efficient glass designed to prevent heat from



escaping in winter, and one that maintains cool temperatures in summer. Since there is an abundance of stained glass panels in both towers, we paid particular attention to the selection of the glass we used, including sound-proof insulation. For this we hired a foreign consultant who will participate in the arrangement of the acoustics.

Do you have any competitors? Are there any other companies that might also try to 'reach for the sky' on Chavchavadze Avenue?

As far as I know, we do not have any competitors so far. Besides, it is not our goal to be higher than the rest. Height alone, in its literal sense, does not define the success of a company. Our goal is to conquer the heights that are necessary in order to introduce innovations and meet our clients' requirements and standards.

It's been ten years (2006) since your company first decided to embark on this project. What happened along the road during the construction process, and when is the complex scheduled for completion?

The construction of the complex started in 2006. But there was a lot of work that had to be done prior to that, such as research and structural work on the site. Unfortunately, the construction process was delayed after the war in August 2008, and then there was the world economic crisis that ensued. So we had to temporarily put this project on ice. Later on, the situation started to improve gradually, and it was possible to continue our project through the Co-Investment Fund. It's good to have such institutions in the country. Our partner in this project is the Georgian Co-investment Fund. The construction of the complex resumed in 2015. Our goal is to reach the sky as much as we can in a literal sense. This is not just our ambition. This ambition is based on the knowledge and available technology that allows us to fulfill this project. Besides, the conditions in the country are ripe for this project.

Therefore, this was our quest for heights in a literal sense, and a quest to conquer new heights in architecture, in its figurative sense. It was our ambition to introduce innovations in the residential housing sphere.

At the initial stage of the project, we planned to build a business center. Then the concept changed. We took into consideration the results of the market research and changed the functional part of the project. Based on the growing demand of tourism, we decided that one of the towers would house a hotel, and of course there will be office space as well. At the same time, we thought that this was a good opportunity to build high-end apartments in one of the towers. Our research was carried out in cooperation with several foreign experts in the field, and our assumptions were justified, not least because a well-known brand like Accor expressed its desire to operate the hotel that we are building now. The five-star Pullman Hotel will be located in the stone tower beginning on the 19th floor. Hotel Pullman is a member of the largest French brand (Accor Hotels) in continental Europe. The brand is represented on five continents in 31 countries. There will be total of 227 rooms at the Pullman Hotel in Tbilisi.

The construction of the complex was suspended for several years, did it create any problems in terms of safety?

The project was suspended in compliance with all the rules and regula-

tions. A lot of work was done to strengthen the foundation before that. The fact that the foundation was preserved from 2008 to date, and we were able to continue the construction work, indicates that we carried out some serious work there at the time. As for the resumption of the work, we carried out our work after doing thorough research with the participation of outside experts and companies in order to verify the results of our research. The experts confirmed the safety of the construction site, which is in line with the required standards. During the dormant period, the site did not suffer any serious damage. We have completed work on the foundation and the construction process has been carried out without any problems or delays. The construction of one tower and its frame will be completed in August. We have built more than half of the second tower, which will be completed in 7-8 months.

We have heard a lot of arguments regarding the compatibility of some of the modern construction projects with the existing architecture of the city. Do you think that these types of contemporary buildings suit Tbilisi aesthetically? Does the city really need these buildings?

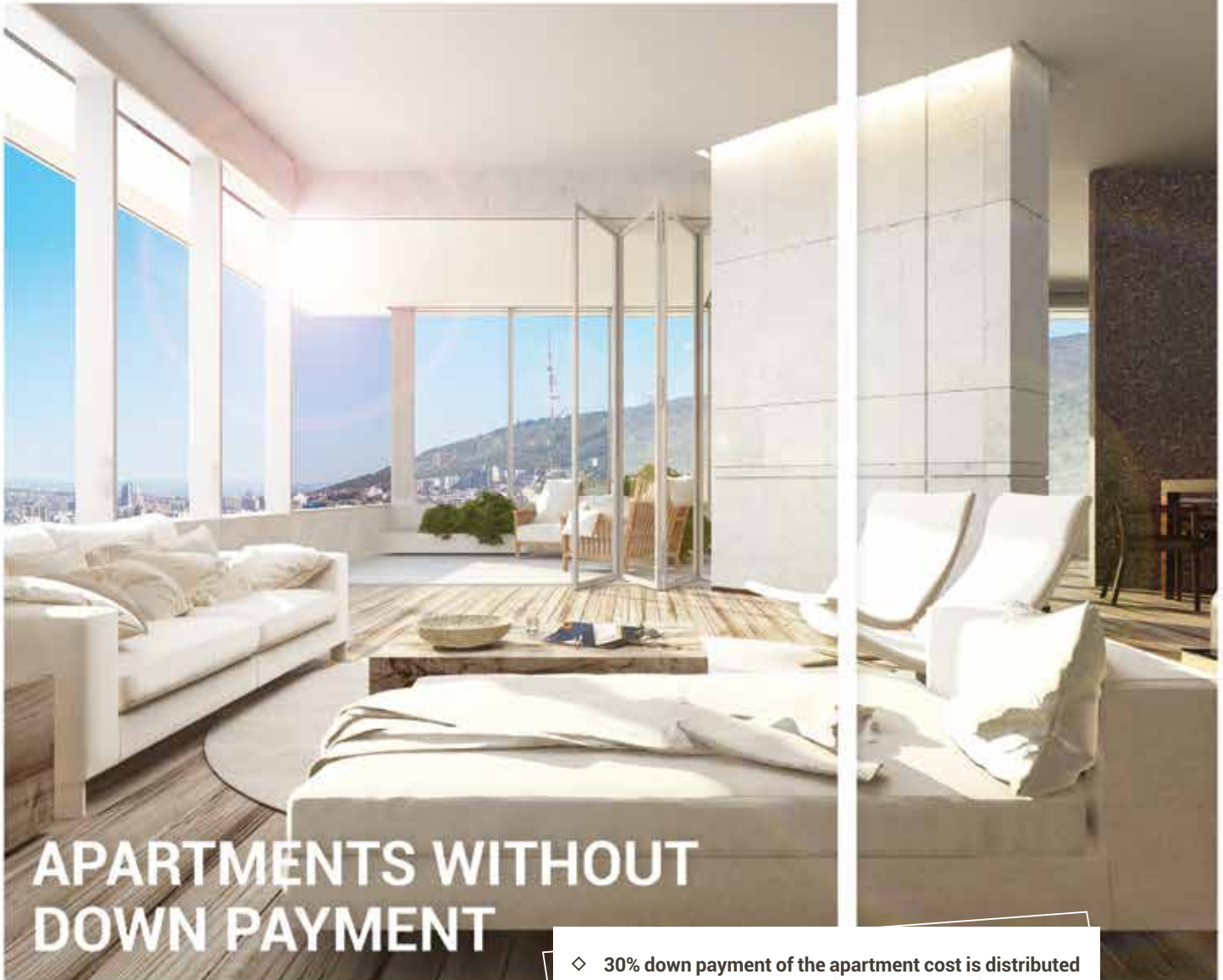
We should never oppose progress. Just imagine what would have happened if in the 18th and 19th centuries, people opposed new, modern buildings—we would be stuck in the architecture of the 18th century now. We think that this approach is wrong. The city needs to develop and embrace new architectural styles. But obviously certain areas need to have their faces preserved as well. There must be certain districts or zones that remain untouched. However, this does not mean that there should not be any new construction going on in Tbilisi. We need to approach this issue with a lot of discretion. The city should not be filled with ugly buildings, but if the architecture of a building fits into the space organically and functionally, why not? There is a reason I mentioned Chavchavadze Avenue. We think that tall buildings will not hurt this avenue. However, I cannot imagine the same tall building in Sololaki.

Are these skyscrapers the largest project implemented by your company?

So far this is our most ambitious project, based on its structural, technological and engineering solutions. However, we have other similarly large-scale projects as well. The architectural concept of the Axis Towers features two identical skyscrapers –twin towers if you will. The towers rotate in opposite directions, creating an illusion of a moving building. The towers are similar, yet different at the same time. One is glazed with dark glass and the other features natural white stone cladding. Similarly unique is the Axis Towers' structure, which seen from a bird's eye view, resembles a clock. Its main components are the axis and the twelve massive pylons positioned like a clock's face.

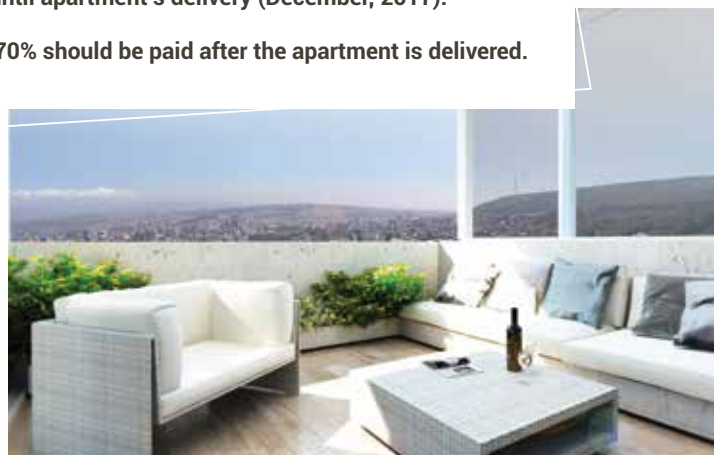
Axis Towers will create a public space on its own territory. The surrounding area of the twin towers will house an entire recreational zone. There will also be a pedestrian street to connect Chavchavadze Avenue with Abuladze Street. This street will house an additional recreational area with a number of cafés and restaurants. Consequently, the 'skyscraper city within a city' will become part of everyday life in Tbilisi.

AXIS TOWERS



APARTMENTS WITHOUT DOWN PAYMENT

- ◇ 30% down payment of the apartment cost is distributed until apartment's delivery (December, 2017).
- ◇ 70% should be paid after the apartment is delivered.





ECONOMICS - LABOR MARKET

MIRANDA MORCHADZE

SALARY INCREASE



EMPLOYMENT REMAINS one of the most pressing problems in Georgia. Despite the records published by the National Statistics Office, which show that the unemployment rate decreased to 12.4% in 2014, Georgia still has the highest unemployment rate in the region.

The Compensation & Benefits Survey conducted by EY Georgia revealed a number of interesting trends in the Georgian labor market in 2015. The survey was conducted with the participation of 36 leading companies (employers) operating on the local labor market. 30% of the participating companies represent the banking and finance sector; 20% represent the pharmaceutical sector; 13% the consumer goods sector; 7% the production sector; 7% trade; 7% HORECA (Hotel/Restaurant/Café) sector, 7%; transportation and logistics; 3% telecommunications, and 6% other sectors.

The timeframe of the survey spanned from July 2014 through June of 2015. According to the reports of the National Statistics Office of Georgia, the annual inflation rate during the survey period was 4.5% (the ratio between the data of June 2015 and the corresponding month of the previous year). While according to the National Bank of Georgia data, the national currency saw a 27% devaluation against the US dollar (the ratio between the data of June 2015 and the corresponding month of the previous year). This micro-economic environment required changes in human resource management policy. On the one hand, employers introduced certain changes in foreign exchange regulations. The share of the salaries paid in foreign currency decreased by 5%, which affected mostly middle and lower level employees. Participating companies plan on increasing the percentage of salaries on their payroll budget that are paid

in the national currency. On the other hand, 83% of local employers increased nominal salary by 12% on average. These changes affected mostly all employees all at once.

The new data was quite different from the previous year's figures. Last year, only 68% of employers revised the salaries of 60% of their employees. Such actions can be explained by the willingness of certain companies to compensate for the reduced purchasing ability of their employees. Interestingly enough, local employers plan an 8% average increase in salaries for 2016.

The annual compensation data indicates that there is certainly a salary increase tendency. It should also be mentioned that the range between salaries in each company has decreased and there is a positive tendency towards pay equalization. The ration between the pay of mid-level management and specialists is from 4 to 2, 8 (median). As for the ratio between the highest and lowest pay, this has decreased twice from 32 to 16 (median).

Employers increased salaries partly by reducing non-cash benefits. However, the main components of the benefits, including medical insurance, training, transportation of employees, mobile phones and company cars, have remained almost unchanged. The optimization of expenses was carried out at the expense of reducing the following types of benefits: sports, tea/coffee, corporate and team events.

It should also be mentioned that employees are increasingly given more flexible working schedules, and the ability to work from home. In addition, the practice of irregular working hours has significantly decreased. On the one hand, this trend might reflect the good will of the employer in an effort to improve the work schedules of their employees. On the other hand, companies that


pay their employees for overtime, may have implemented these changes in an effort to cut costs.

Compared to the previous year's data, employee turnover ratio on the labor market has doubled, reaching 16%. It is notable that 10% of the overall 16% is voluntary turnover ratio. Given the fact that 40% of the compa-

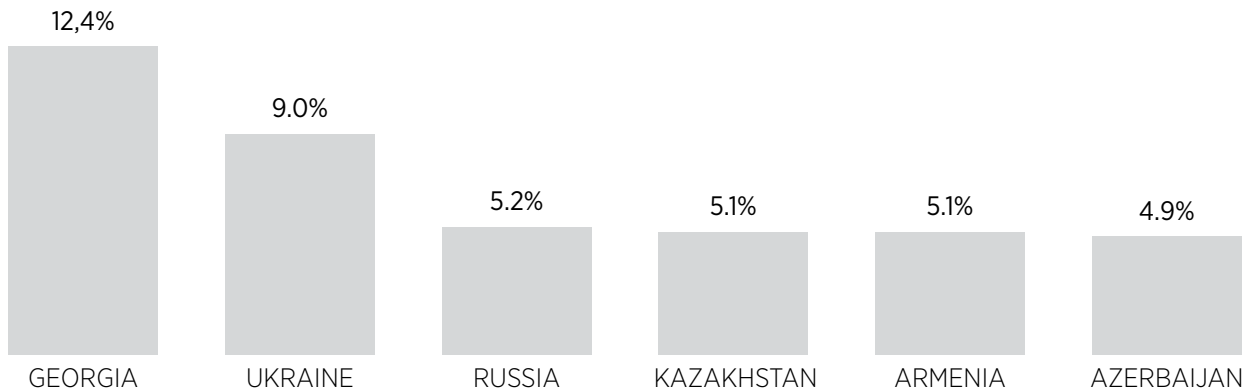
nies plan to increase their staff, employers are increasingly engaged in finding new staff to replace their employees, and respond to the company's increased need for additional staff. Therefore, the number of monthly vacancies has increased from 8 to 19.

It should also be noted that the survey is based on the data collected from the lead-

ing companies on the local market, and these trends may, after a certain period of time, partially affect the entire labor market.

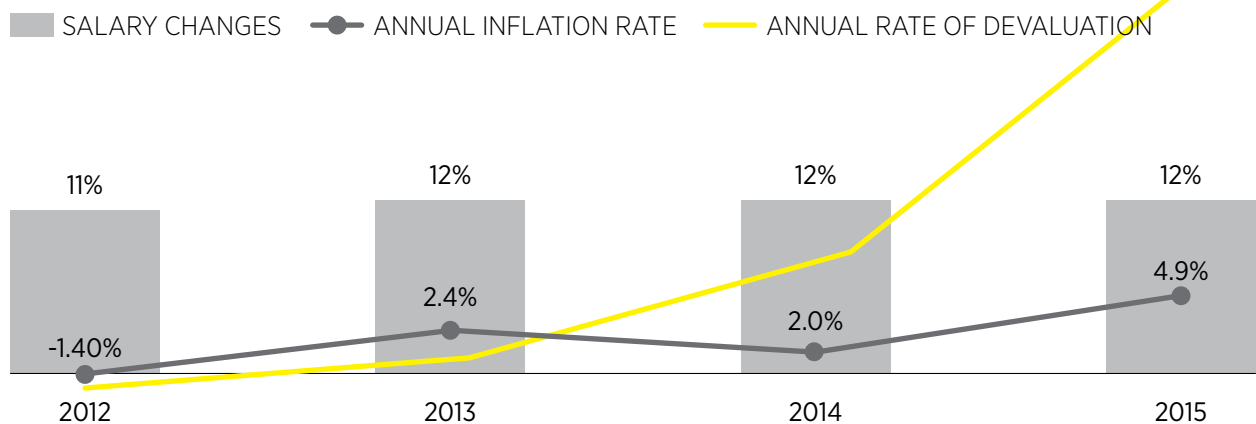
EY Georgia will continue to update ForbesMagazine readers with information regarding the latest trends on the labor market, and other pressing issues. 

UNEMPLOYMENT RATE BY COUNTRY



SOURCE: NATIONAL STATISTICS OFFICE OF GEORGIA, 2014; IHS GLOBAL INSIGHT

SALARY VS INFLATION



SOURCES: NATIONAL STATISTICS OFFICE OF GEORGIA; THE NATIONAL BANK OF GEORGIA; EY COMPENSATION & BENEFITS SURVEY;



ECONOMICS

RUSUDAN KEMULARIA

DOUBLE TAXATION



DOUBLE TAXATION has never been as high on the political agenda as it is today. The integration of national economies and markets has increased substantially in recent years. Capital markets and technology have developed over time. People move around more, living in different countries for periods of time, and thus generating income there. As trade and commerce become increasingly internationalized, the taxation of international transactions becomes even more essential for tax authorities.

Some countries tax their residents on their worldwide income, some countries tax sourced in their state only. Others use a combination of both approaches. Taxpayers that engage in cross-border transactions are taxed more than once (usually twice) on the same amount of income. This phenomenon is known as a “double taxation”. International tax policymakers have designed ways to try to ensure that income derived by a taxpayer is taxed only once.

Double Tax Agreement is the key mechanism to avoid double taxation and prevent fiscal evasion. Nowadays, the Organization for Economic Co-operation and Development (OECD) is the predominant body driving international development of DTAs (double tax agreement). The DTA based on the OECD model can produce a one-sided result as the model usually requires the source countries to give up the tax revenue where double taxation would otherwise occur. As an example, when developing countries trade with developed countries, (net) income is usually flowing from developing country to the developed country. In such case the developing country will be the net loser. The response of the developing countries was recourse to the United Nations to develop a model DTA, which reflected their interest. To a large extent, the UN model DTA followed the OECD 1977 model. However, it did grant greater taxing rights to the source state.

Over the last two decades, Georgia negotiated and enacted 52 Double DTAs. These DTAs—to a large extent—follow the 2008 OECD Model Double Taxation Convention (OECD Model), in which taxing rights are distributed between treaty partners. The OECD model contains provisions dividing taxation rights between the source and resident countries, whereby the resident country provides for a relief of double taxation by either the credit or exemption method. DTA agreements also regulate issues regarding the prevention of fiscal evasion and non-taxation.

The problems that double taxation presents have long been recognized, and with the growing integration of domestic economies into a global economy, countries have undertaken several measures to reduce the problem of double taxation. Addressing base erosion and profit shifting (BEPS) are some of the main priorities of governments around the globe, as weaknesses in the international tax rules create opportunities for these to occur. Taxpayers engaged in treaty shopping and other treaty abuse strategies undermine tax sovereignty by claiming treaty benefits in situations where these benefits were not intended to be granted, thereby depriving countries of tax revenues. Therefore, policy-makers have to ensure that profits are taxed where economic activities take place and value is created.

In Georgia' case, DTAs have to be well-equipped to fight international tax planning. Anti-abuse provisions have to be incorporated in tax treaties, including a minimum standard to counter the existence of 'treaty shopping'. Treaty shopping cases typically involve persons who are residents of third party states attempting to access indirectly the benefits of a treaty between two contracting states. Tax policy-makers have to ensure that treaty provisions are used to prevent the granting of treaty benefits in inappropriate circumstances, and ensure that tax treaties are not used to generate double non-taxation.

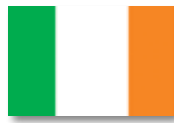
GEORGIA'S DTA NETWORK

Currently Georgia has 52 active agreements

*Changes



Austria*
(in force 01.03.06)
(protocol in force 01.03.13)



Ireland
(in force 06.05.10)



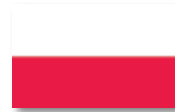
Netherlands
(in force 21.02.03)



Belgium
(in force 04.05.04)



Italy
(in force 19.02.04)



Poland
(in force 31.08.06)



Bulgaria
(in force 01.07.99)



Latvia*
(in force 04.04.05)
(protocol in force 27.11.12)



Romania
(in force 20.10.02)



United Kingdom*
(in force 11.10.05)
(protocol in force 17.12.10)



Lithuania
(in force 20.07.04)



Greece
(in force 01.03.06)
(protocol in force 01.03.13)



Germany*
(in force 21.12.07)
(protocol in force 01.01.15)



Luxembourg
(in force 14.12.09)



France
(in force 01.06.10)



Denmark
(in force 23.12.08)



Malta
(in force 19.12.09)



Finland
(in force 23.07.08)



Estonia*
(in force 27.12.07)
(protocol in force 11.03.11)



Czech Republic
(in force 04.05.07)



Spain
(in force 01.07.11)



Azerbaijan
(in force 06.06.98)



Singapore
(in force 28.06.10)



Ukraine
(in force 01.04.99)



Turkey
(in force 15.02.10)



Armenia
(in force 03.07.00)



China
(in force 10.11.05)



Turkmenistan
(in force 26.01.00)



Uzbekistan
(in force 20.10.97)



Kazakhstan
(in force 05.07.00)



Iran
(in force 14.02.01)



Qatar
(in force 11.03.11)



The United Arab Emirates
(in force 28.04.11)



Sweden
(in force 26.07.14)



Switzerland
(in force 07.07.11)



Israel
(in force 22.11.11)

**India**
(in force 08.12.11)**Hungary**
(in force 13.05.12)**Slovakia**
(in force 29.07.12)**Bahrain**
(in force 01.08.12)**Norway**
(in force 23.07.12)**Egypt**
(in force 20.12.12)**Serbia**
(in force 09.01.13)**San Marino**
(in force 12.04.13)**Slovenia**
(in force 25.09.13)**Kuwait**
(in force 14.04.13)**Croatia**
(in force 06.12.13)**Portugal**
(in force 18.04.15)**Japan**
(in force 03.04.92)**Belarus**
(in force 24.11.15)**Iceland**
(in force 23.12.15)**Cyprus**
(in force 04.01.16)

DISTRIBUTION OF PASSIVE INCOME PURSUANT TO THE DTAs

State	Permanent establishment, months	Dividends	Interest	Royalties
Austria	6 months	0% / 5% / 10%	0%	0%
Azerbaijan	6 months	10%	10%	10%
United Arab Emirates	6 months	0%	0%	0%
Belgium	9 months	5% / 15%	10%	5% / 10%
Bulgaria	9 months	10%	10%	10%
United Kingdom	12 months	5% / 15%	0%	0%
Germany	6 months	0% / 5% / 10%	0%	0%
Denmark	6 months	0% / 5% / 10%	0%	0%
Spain	6 months	0% / 10%	0%	0%
Estonia	9 months	0%	0%	0%
Turkey	12 months	10%	10%	10%
Turkmenistan	6 months	10%	10%	10%
India	90 days	10%	10%	10%
Israel	9 months	5%	15%	0%
Iran	12 months	5% / 10%	10%	5%

State	Permanent establishment, months	Dividends	Interest	Royalties
Italy	6 months	5% / 10%	0%	0%
Ireland	6 months	0% / 5% / 10%	0%	0%
Japan	12 months	15%	0% / 10%	0% / 10%
Qatar	6 months	0%	0%	0%
Lithuania	9 months	5% / 15%	10%	10%
Latvia	6 months	5%	5%	10%
Luxembourg	6 months	0% / 5% / 10%	0%	0%
Malta	6 months	0%	0%	0%
Netherlands	6 months	0% / 5% / 15%	0%	0%
Poland	6 months	10%	10%	10%
Portugal	9 months	5% / 10%	10%	5%
Romania	9 months	8%	10%	5%
Greece	9 months	8%	8%	5%
Singapore	6 months	0%	0%	0%
Slovenia	6 months	5%	5%	5%
Armenia	6 months	5% / 10%	10%	5%
France	6 months	0% / 5% / 10%	0%	0%
Uzbekistan	6 months	5% / 15%	10%	10%
Ukraine	12 months	5% / 10%	10%	10%
Hungary	12 months	0% / 5%	0%	0%
Finland	6 months	0% / 5% / 10%	0%	0%
Kazakhstan	6 months	15%	10%	10%
Switzerland	6 months	10%	0%	0%
China	6 months	0% / 5% / 10%	10%	5%
Czech Republic	6 months	5% / 10%	8%	0% / 5% / 10%
Slovakia	6 months	0%	5%	5%
Bahrain	6 months	0%	0%	0%
Norway	6 months	5% / 10%	0%	0%
Egypt	6/183 days	10%	10%	10%
Serbia	9 months	5% / 10%	10%	10%
San Marino	6 months	0%	0%	0%
Kuwait	6 months	0% / 5%	0%	10%
Croatia	9 months	5%	5%	5%
Belarus	12 months	5% / 10%	5%	5%
Iceland	6 months	5% / 10%	5%	5%
Cyprus	9 months	0%	0%	0%



ECONOMICS

IRINA GURULI

The Economic Effect of NATO



THE ECONOMIC PERFORMANCE of a nation strongly depends on its ability to provide long-term security and stability. These prerequisites not only promote domestic economic activity, but they also increase the trust of a country's investors and foreign partners, as well as foster a country's integration into wider regional and international economic value chains. While the economic performance and prosperity of a nation are not the primary concern of NATO's collective security, its direct function - the provision of security - has a major positive spillover effect on political and economic stability. Moreover, the process of approximation and eventual NATO membership complements the improved institutional frameworks of the economy, the rule of law, efficient governance systems, and a country's corporate security. It also decreases uncertainty and externalities in the environment. Consequently, the process of liberalization and the marketization of a country's economy lead to the alleviation of social pressures, as well as increased prosperity and wealth accumulation, thus making society safer and less susceptible to shocks that can be exacerbated by various external and internal challenges.

Under such an economic, political and legal framework, a state can increase its potential of shifting from a local, isolated economy, to a much more open economy. Which in turn yields competitive and comparative advantages through the competent allocation of resources, efficient production, and improved quality of life - becoming more liberal and secure. This environment acts as a foundation for greater optimism in terms of providing the right tools that contribute to the process of fostering greater innovation and entrepreneurial-

ism in an economy. Therefore, there ought to be a very close relationship between the advancement of military security and sustainable economic development based on security cooperation and economic cooperation.

For new members, NATO membership leads to greater opportunities for long-term economic growth. NATO and EU membership also facilitates economic improvement, helps guarantee state security, and economic stability. The stability that NATO membership provides is considerable enough to be looked at as the foundation for attracting increased foreign direct investment.

NATO membership and the accompanying integration process helps to ensure that the member country remains politically strong and secure from external shock, as well as helps cement a country's efforts in attaining prosperity over the long run.

The NATO "economic effect" can better be understood by looking at the following simple, but effective cycle, which results in tangible deliverables to the average citizen: economic growth, job creation, life expectancy, increased foreign direct investment, expenditures in education, healthcare, regional integration, and equal income distribution. Statistical analysis of a new member state makes it possible to conclude that the NATO effect generated short and long-term positive outcomes, which include an immediate increase in economic growth, marked inflow of foreign direct investment; a large decrease in unemployment; life expectancy increases; the doubling of the amount of exports and imports since 2004, and a deficit recovered to equilibrium.

More specifically, after joining NATO in 2004,



economic activity in Estonia and Latvia, both post-Soviet states, increased significantly. By 2005, GDP in Estonia jumped from 6.5% to 9.5%, and in Latvia from 8.7% to 10.6%. In Estonia, foreign investment more than tripled from \$965.8 million to \$3.1 billion after NATO accession. Similarly, such trends started going upwards in Albania, Bulgaria, Latvia, and Lithuania as well. Along with FDI, development assistance has been long recognized as a tool for lifting a nation out of poverty and ensuring its long-term economic prosperity, by making investments in sectors ranging from education to the military. Since 2000, development assistance has been on the rise in NATO partner or aspirant nations.


The path of Euro-Atlantic integration has stressed the importance of developing a highly educated and highly skilled labor force to fuel strong, sustained and balanced growth for entering states. Therefore, new NATO member states, while enjoying basic collective security guarantees, were able to increase expenditure on education. It can be argued that the formation of a healthy and competitive economy can be a major source for generating long-term sustainable (permanent) improvement of overall quality of life of citizens and equal income distribution. Furthermore, low unemployment can be a major indicator of the marketization of an economy, as low unemployment rates in a country can lead to higher spending power for the citizens, thus enabling them to afford high-quality products - and more importantly - food and healthcare.

Collective security guarantees act as an important foundation for more regional economic and political integration as well, thus diversification and resilience for the economy. Integration acts as

a source of promoting economic prosperity, peace and security in a region through the development of liberalized economic and political policies between participating states. The amount of goods traded between the new member states and Europe & Central Asia has intensified since 2000, experiencing a slight downfall in 2008 due to the economic crisis, but quickly getting back on track, reaching around 20% of GDP both in terms of exports and imports for Bulgaria, Lithuania and Slovenia.

Like Georgia, all of the countries observed above had pursued a parallel EU integration track - which had a significantly positive effect holistically on democratic statecraft. Therefore on a strategic level, the NATO and EU approximation process should have a holistic strategy with close coordination of every aspect of it - including strategic communication. However, Georgia faces much greater and much more complex security challenges than those countries prior to NATO membership. Therefore, the potential "NATO effect" on the economy through the elevation of those threats would be much greater.

It is noteworthy that the difference in levels and paces of development for the new member countries should be attributed to the difference in institution building and such indicators as good governance, economic reform, anti-corruption measures, judicial reform and defense and security sector reform.

In general, we can predict that good governance and institutionalized democracy would have a maximizing impact on the NATO effect, particularly when countries fully utilize the benefits of the approximation process before joining the NATO. 



ECONOMICS

NARIMAN BAKHISHEV

HOW AZERBAIJAN WILL CHANGE EUROPE'S ENERGY MAP



AZERBAIJAN IS TURNING INTO THE MAIN GEO-ECONOMIC VECTOR of energy supply for Europe.

The South Caucasus Pipeline (SCP), the Trans Anatolian Pipeline (TANAP), and the Trans Adriatic Pipeline (TAP) - together these Shah Deniz Stage II projects form the 'Russian dependency escape Corridor' - the so-called Southern Gas Corridor. This ambitious undertaking, which will connect gas supplies in the Caspian region to markets in Europe for the very first time, is set to change the energy map of Europe. The first gas production is targeted for late 2018, with supplies to Georgia and Turkey. Gas deliveries to Europe are expected just over a year after the first gas is produced off the shore of Azerbaijan.

Before it happens however, Shah Deniz Stage II envisions the construction of two new bridge-linked offshore platforms, and 26 gas production wells, which will be drilled with two semi-submersible rigs. 500 kilometers of sub-sea pipelines will link the wells with the onshore terminal. In addition, an upgrade of the offshore construction vessels is planned, and in order to accommodate the new gas processing and compression facilities, the expansion of the Sangachal terminal will also take place.

Azerbaijan entered the global market as a gas importer back in 2006 when the country signed a memorandum of understanding in the field of energy with the European Union (EU). Nowadays, EU is the biggest oil (82%) and gas importer (57%). Europe imports 53%

of all the energy it consumes at a cost of more than €1 billion per day. Energy also makes up more than 20% of total imports. With its prosperity hinging on a stable and abundant supply of energy, the EU works to secure supplies from sustainable and reliable sources at competitive prices. In this context, Europe heavily relies on natural gas, which is not only an energy source, but a raw material as well. In comparison with electricity, natural gas may be stored, so from this vantage point, logistics issues like its production and distribution are more convenient. One of Europe's main energy security threats comes from the fact that Russia is the continent's main gas supplier. In response to concerns surrounding the delivery of Russian gas via Ukraine, the EU launched its energy security strategy in 2014. This strategy lays out protective measures such as increasing energy efficiency, increasing indigenous energy production and completing missing infrastructure links to redirect energy to where it is needed during a crisis. The EU is also working on the diversification of supply sources and the construction of fluid-gas terminals. Despite the existence of gas fields in North Sea, the EU is highly dependent on imported gas. In 2014, Russia and Norway comprised 80% of total EU imports, up from 64% in 2010.

The demand for gas supply in Europe is expected to increase by an average of 1-2% per year until 2030 (from 541 billion cubic meters to 744 billion cubic meters). Europe needs to establish new sources of gas to meet



its long-term energy demands, replace its own declining levels of energy production, fuel economic growth and diversify energy supplies. Natural gas is expected to play an increasingly important role in the European energy mix for decades to come. As the cleanest fossil fuel, it has clear environmental advantages over other energy sources such as coal and oil. Also, it provides an important and flexible energy option in conjunction with renewable energy. The proven energy resources in the Caspian Sea present an enormous opportunity for Europe to meet its energy challenges.

Azerbaijani gas from the Caspian region - especially the Shah Denizgas field - is considered by many as one of the major alternatives for Europe's energy safety. Shah Deniz Stage II gas will make a 3,500 kilometre journey from the Caspian Sea to Europe. Around \$28 billion in capital investment will be required to produce the gas and transport it to the Georgia-Turkey border. This is a monumental project that will add a further 16 billion cubic meters per year (bcm) of gas production to the approximately 9 bcm already produced by Shah Deniz Stage I.

TAP, the European leg of the Southern Gas Corridor, will ensure the diversification of gas supplies, and reduce the risk of over-reliance on a single energy source. It will also help to open a new transportation route and provide a new source of gas for Europe. Some countries in the region like Albania, are not even on the gas grid. They rely on coal and oil to meet their energy needs. TAP will pave the way for new sources of energy to enter these markets and promote the development of their energy sectors.

The economic and strategic benefits of TAP are also important at a national level in the countries through which the pipeline will pass. Greece, Albania and Italy signed an inter-governmental agreement in support of TAP in February of 2013, and continue to cooperate fully with the project.

The Shah Deniz Stage II project is now over 70% complete in terms of engineering, procurement and construction. First gas production is targeted for late 2018, with supplies to Georgia and Turkey. Gas deliveries to Europe are expected just over a year after first gas. 

History of the 20th century in a bottle

AUTHOR: SHOTA DIGHMELASHVILI
PHOTOS: KHATUNA KHUTSISHVILI

Something unbelievable happened to me. I found myself in heaven! I looked straight into the eye of time and breathed in an angel's share of alcohol vapor. No, don't you worry, I'm all right. I haven't lost my mind, and I still stand with both my feet firmly planted on the fertile ground of our country. But, please, don't think that I am exaggerating anything.

And before I am rightfully criticized for my insolence, let me make it all completely clear to you: I am not talking about the heaven where the privilege of access is granted to only those who can subdue their earthly passions. Quite the contrary. The heaven where I found myself welcomes especially those who are fond of the inebriating aroma of earthly passions and maybe are even the creators of this aroma. That is what they call the place where cognac houses with rich traditions store their very old and very precious spirits -Heaven or le Paradis.

34-year-old Zura Bubuteishvili walks between the rows of oak barrels vigorously, but at the same time very carefully, as if he were trying not to wake somebody up. Working for Sarajishvili is not just a regular job for Bubuteishvili - it is his ancestral house as well (his family lives in a top-floor apartment in one of the four-

Zura Bubuteishvili took over the management of Sarajishvili, the century-old wine brandy manufacturing company during one of Georgia's most economically difficult times. It was 2006, and the industry had been destroyed by Russia's embargo, and Sarajishvili's sales had fallen by 70%. However, thanks to several bold decisions, the diversification of the company's international market, and new creative strategies, the company is much stronger now than it was even before the embargo.



story buildings of the winery. The first three floors are occupied by the offices of the company). However, the moment he steps into this 'heaven', his voice becomes lower and his steps become lighter. He might be the boss to other employees, but as we approach the barrels with dormant spirits that have been brewing for 40, 50 and 70 years, Zura Bubuteishvili immediately transforms into a humble subordinate of something greater than himself. This

grape varieties grown in the relevant climate and soil have very similar characteristics to the grapes that are used for making cognac spirits.

So, then why is Sarajishvili still a brandy and not a cognac? Georgia's geographic location, its natural climatic and soil characteristics, its indigenous grape varieties and centuries-old tradition of winemaking, all meet the necessary conditions for making the

“CHINA IS A VERY INTERESTING AND RAPIDLY-DEVELOPING MARKET. WE ARE A BIT WORRIED THAT THE CHINESE WILL EMPTY OUT OUR BARRELS.”

sudden transformation of the executive director reminded me of a famous business truism:

'A manager manages business, while a true leader leads and serves'.

The meaning of this expression became particularly obvious while we stood among the barrels that were at least twice as old as the people there. It could not be otherwise, since Sarajishvili is not just a business, it's history. Certainly Forbes Georgia is not the first to write about the company, the founder of which - businessman and philanthropist David Sarajishvili - would certainly deserve to be among the world's richest people, since the current estimate of his capital is now estimated at over \$1 billion USD.

In 1887, David Sarajishvili opened his first factory in Tbilisi - the first brandy factory of its kind in the Russian empire. The factory used only local raw materials in its production. After the subtle aroma of Sarajishvili cognac reached the Imperial Palace, the network started to expand throughout the entire Russian empire. In fact, there is one legend that still exists in the world of Western brandy lovers. When the Bolsheviks seized the Winter Palace in St. Petersburg in 1917, the revolution took a week-long hiatus, that's because the rebels got hooked on the emperor's cognac collection.

In order to avoid any misunderstanding with the experts in this sphere, let me clarify that Sarajishvili is not a cognac in its classical meaning. The technology of making it is absolutely classical. But as many probably know, the French can sometimes have an arrogant nature about them. As such, it is unlikely they would ever pass up the chance to demonstrate their uniqueness - particularly when it comes to alcoholic beverages. Therefore, the legal status of cognac does not permit anyone use this name unless the brandy is actually made from grapes grown in the surrounding area of the town Cognac. Therefore, Sarajishvili is sold under the name brandy and not cognac, despite the fact that David Sarajishvili, who received his education in St. Petersburg, Munich, Heidelberg, Hohenheim, Halle and finally, the School of Viticulture in France, presented a scientifically-proven argument that some Georgian

highest quality cognac - especially when talking about such a historic brand like Sarajishvili. But as the French would say: A tout pourquoi il y a parce que - every why has a wherefore.

Ultimately, it turns out that the only obstacle for the Sarajishvili brand on the international market in terms of its competitiveness, is not that there is anything wrong with the taste of the cognac, but the fact that Sarajishvili does not have the right to use the word cognac.

"We have the same value. However we cannot price it appropriately because of the name. We have to categorize our product as brandy," laments Bubuteishvili. I can't say that this is bad news for lovers of good cognac. We can enjoy the equivalent of the world's most exquisite cognac brands for a lower price. But that does not mean we should not give Sarajishvili the respect it deserves - on the contrary. So, my friends, I hope the French will forgive me if in this article I refer to Sarajishvili as cognac, the name that is associated with elegance, luxury, refinement and sophistication.

As we have already mentioned in the previous issue of Forbes, this old Georgian brand, which has always been exceptionally innovative, has taken the same path as the country itself. Sarajishvili's trademark - the mountain goat - is one of the oldest logos in the world. The century-old advertising banner, which depicts an aristocrat with a bottle of cognac in his hand, is one of the first examples of the concept that espouses providing consumers the 'face of an advertising campaign', and the parallels are obvious. The company, not unlike the country, was appropriated by the Russian Empire, and was restlessly striving to introduce itself to the rest of the world.

To a certain extent, Sarajishvili did manage to introduce its brand to the world. From 1889-1912, Sarajishvili cognac was awarded gold medals at international competitions in Paris, Brussels, and Chicago. Soon after, Sarajishvili was closed behind Soviet borders and renamed the Tbilisi Cognac Factory. Sarajishvili was in the hands of various professionals, who led the technological pro-

cesses and created unique reserves of the spirit. All the while, the factory remained true to its traditions. Finally, in 1994, along with Georgia's independence, Sarajishvili was transferred into private ownership, regained its name, and began to enrich the culture that it had established decades before.

"The communists removed the Sarajishvili name from the cognac," says Bubuteishvili. "But it's been just over 20 years since Georgia became independent. It is a very short time to secure a place in the industry and to make the Sarajishvili brand as popular as it should be. I'm sure that if it hadn't been for such a long gap, Sarajishvili would be more famous right now," he added.

Zura Bubuteishvili's background is linked to Sarajishvili just as close as Sarajishvili's history is linked to the history of the country. Perhaps this explains why he barely ever speaks about his life beyond the company. He mentioned that he has a wife and a 17-year-old daughter, but the only other personal information I could pull out of him was that he is fond of water skiing and has his own boat on the Tbilisi Sea.

"I spend most of the day at work, and when I manage to get a break from work, I go water skiing," he said matter-of-factly. There is one other extraordinary fact about Bubuteishvili: he is an Honorary Consul of Croatia. "But I will tell you how this happened a little bit later, when we finish talking about Sarajishvili," he told me.

Unfortunately I forgot all about it. I have to confess that I did not insist on him telling me the rest of the story either. But, please, don't judge me. I have a good excuse for that. By the end of my interview I was so befuddled by the breathtaking aroma (as well as the privilege of tasting it) of the 122 year-old cognac that was made by David Sarajishvili himself, that I could barely remember my name, not to mention Bubuteishvili's promise to finish the story

lived a full life. I get completely overwhelmed by a velvety blissful feeling every time I remember it.

But I digress.

The price for one bottle of its coupageis \$10-15 thousand. No wonder I forgot about Croatia. Therefore, it's best if I stop here and go back to Zura Bubuteishvili who continues to guide me in the 'paradise'. There are glass containers with exclusively old liquids beyond the rows of oak barrels. Some of them are more than a century old. They are too old to be left in oak barrels. Unlike this heaven that people hope to get to after death, Sarajishvili's le Paradis is a place where cognacs await their birth.

Under the constant care and supervision of Sarajishvili's old technologists - the oldest has been pushing barrels in the vast wings of the factory for 51 years and the chief technologists has been serving Sarajishvili for 30 years. After all, young spirits have to wait for decades before turning into glorified beverages. Sadly, 3% of these spirits evaporate every year. Therefore the storage facilities are always soaked in the subtle aroma, particularly on Mondays, since the cellar door is locked on weekends. As usual, the French came up with a very poetic name for this vapor: 'the angel's share'. Obviously, angels like this drink. Come to think of it, cognac producers spend lots of money to quench the angels' thirst - the price of tens of thousands of bottles' worth of precious spirits every year. What else can they do? Angels bestow cognac with their main ingredient - time.

One could say that Bubuteishvili spent his early years in the company of the cognac-loving angels. After its privatization, Sarajishvili went into the ownership of Zura's father Elguja Bubuteishvili. The director general of Sarajishvili is a public servant by trade. He studied public administration at the technical university, and in 1998, upon his graduation, Bubuteishvili joined his father's business.

“WHEN SARAJISHVILI MADE HIS ‘VERY OLD’ COGNAC, THE OLDEST HE HAD AT THE TIME WAS ONLY 12 YEARS-OLD. WE ARE PLANNING TO PRODUCE THIS PRODUCT IN 2015 AND IT WILL BE 122 YEARS-OLD.”

of how he became the Honorary Consul of Croatia. I hope that you will forgive my negligence, provided that I try to describe the stunning taste that still lingers on my lips and strives to reach out to you, because it is in the nature of this cognac, which is all-embracing, almighty, fervent and sweet, like love without boundaries. Only the loud echo of our whisper can tell the depth of this feeling. Not everyone is destined to relish the taste of bulletproof happiness, and if anyone can snatch it from the thrifty hand of fate - even for a minute or even for a moment - he can say that he has

"I was 18 when I started working. I did not have an official position, I was just helping my father. Afterwards, I worked in almost every capacity - sales, marketing, on the supervisory board, the board of directors, and finally, in 2006 I took over the management of the company," notes Bubuteishvili.

Remarkably, the company started rebranding the same year (2006) Zura Bubuteishvili took over the management of Sarajishvili. The company cut back on secondary brands, such as Eniseli, Vartsikhe and Gremi. These names corresponded with the win-



emaking micro-zones in Georgia, and in most cases caused confusion on the international market. Therefore, the company decided to remove these brands from production. Instead, Sarajishvili followed an internationally-recognized practice of using abbreviations, namely VS, VSOP and XO.

The period that Bubuteishvili took over the company was probably the most difficult period in Sarajishvili's long history. In 2006, Russia imposed an embargo on alcoholic beverages, which led many companies into bankruptcy. The sales of Sarajishvili dropped by 70%. The company needed a new strategy to enter the international market. Under the leadership of the new director general, Sarajishvili managed to consolidate its resources and in a very short period of time, the company emerged from the crisis even stronger than it was before the embargo. Sarajishvili managed to diversify its international markets and implement some new commercially viable projects.

"When the Russian market closed for us, we redirected all our resources towards Europe, the United States and China," recalls Bubuteishvili. Eniseli, Vartsikhe and Gremi were well-known names within the post-Soviet markets. However, it is very difficult

to explain Vartsikhe to Europeans. We completely removed these sub-brands from our production, and instead focused all our efforts on reinforcing the Sarajishvili brand. The removal of names that had been on the market for many years sparked a heated debate - especially in view of the difficult situation at the time. We took a big risk by entering the market with a new product, but it was a justified risk," he explained.

In light of Sarajishvili's historical and cultural heritage, I can only imagine how hard it is to keep a cool head while running this business and taking all the associated risks on a regular basis. It is particularly hard to resort to radical measures when you are dealing with something bigger than just business. "It's a huge responsibility," Bubuteishvili emphasized. "For instance, we plan to launch a new advertising campaign in 2015 and so we are approaching this project with the utmost discretion," he added.

But the Sarajishvili Company is a very mobile company, and quickly adapts to the challenges of the market; it stands out with constant innovations both in terms of production and market positioning, and is fast-growing both on the domestic market, and on international markets. At the present moment, Sarajishvili

is the leader of the cognac industry in the country, and maintains 70% of the market. The company exports cognac to almost 20 countries, including some post-Soviet states, Europe, the United States and China. Sarajishvili recently won a state tender in Canada, and in the spring of 2015, Sarajishvili brandy will be available to Canadian consumers. The company also plans to expand its marketing efforts in Asia.

"China is a very interesting and fast-growing market. We are a bit afraid that the Chinese might empty out our barrels," jokes Bubuteishvili. "We mainly export VSOP and XO to China. Strangely enough, they mix this high-class cognac with Sprite and drink it diluted like that," he adds with a perplexed look.

Last year, Sarajishvili exported 25,000 bottles of XO to China. The company expects to increase this number in the coming year. As for the overall export and domestic market indicators—before the embargo, Sarajishvili exported 2.5 million bottles. Today this number exceeds 5 million bottles, and includes especially valuable labels, which cost several thousand US dollars per bottle.

'Sarajishvili 20th Century' is an outstanding example of one of the most valuable marks produced by the company. It represents a blend of Georgian cognac spirits from every decade of the 20th century. The oldest spirit was distilled in 1905 by David Sarajishvili himself, while the most recent cognac spirit used for this unique blend was distilled in 1993. A total of 17 spirits of different age were used to make this cognac. No other company in the country can produce a cognac with a similar blend, since they simply don't have such old spirits. At one of the international competitions, Sarajishvili 20th Century was nicknamed "The history of the 20th century in a bottle".

In addition to the '20th Century', the company produced an 'Anniversary' cognac made of 100-year-old spirits distilled by David Sarajishvili in 1893 and 1905. This mark was presented at the international brandy tasting competition and was awarded with the highest prize—the 'Super Grand Prix'.

"We plan to make even more interesting products. We have a huge stock of old cognacs that have been left untouched for many years. The development of the markets allows us to produce these new products. We plan to produce four new products in nice packages. We already have names for two of the products. One of them will be named 'Very Old'. When Sarajishvili made his 'Very Old' cognac (in 1901), the oldest he had at the time was only 12 years-old. We are planning to produce this product in 2015, and by then it will be 122 years-old," says Bubuteishvili. He also revealed the name of his other new product—'Sarajishvili Independence'. This cognac will be dedicated to the independence of Georgia and will represent a blend of spirits distilled in 1918

and 1990. Needless to say, these valuable marks will be produced in a limited number (approximately 1,000 bottles).

"We plan to make about 30 different marks of cognac. We haven't specified the prices yet. However the price for the limited marks will range from between \$300 to \$15,000," he notes.


Sarajishvili has grappled with vineyard farming as well. The company has 100 hectares of vineyards in Kakheti, and plans to expand it to 500 hectares in the future. Sarajishvili also plans to build a distillery plant.

"Along with our main product, we have started producing vodka too," says Bubuteishvili. "The production of strong alcoholic beverages is achieved more quickly than cognac is. As you know it takes a long time to make a cognac. We have started our own distribution company in Georgia and we already hold the second position in the production of local vodka," Bubuteishvili says proudly.

This is an outstanding achievement in view of the fact that Sarajishvili started its production of vodka as recently as 2009-2010.

As our interview drew to a close I started to think how difficult it must be in this hyperactive and 'fast reaction' era, to lead and serve a business—the product of which—you might not live to see. In our time, people expect instant gratification and immediate answers, even to century-old questions. Whether we are waiting for a streaming movie to launch on our tablets, or downloading some application to our smart phone, we always seem to be running out of patience. What would it be like if my job required extremely long-term planning, and no matter how long I stayed on this earth, I still may never get to taste the fruits of my labor? For some reason, I think that a communion with infinity and some angel's share could make me more distant from the trivial dust of everyday life—calmer, more joyful and imperishable. In other words, it could make me a better person, and I would embrace a more philosophical and ironic attitude towards life. But the question is, would it make me more motivated and hard-working?

I don't know.

"It's a difficult process, particularly if you lack patience. It's been 18 years since I joined the company. I have to wait for several decades before distilling spirits from the new vineyard. You have to be mentally prepared for this—for the anticipation," Bubuteishvili told me. "You have to understand that this is a long-term investment. This is why making cognac is traditionally a family business, which goes from generation to generation both here in Georgia, as well as in France. When I do this, I have to understand that even with the passing of thirty, forty and fifty years, I may not get the desired result, but my descendants will get it, that will make me happy." 



Seeking Timeless Beauty

AUTHOR: ANNA ERISTAVI
PHOTOS: JABA CHITIDZE





One afternoon in mid-September, Italian businessman Davide Bollati was sitting in a gallery on Chardeni Street in Tbilisi looking at a painting hanging on the wall in front of him. Nobody was in the gallery at the time: it was quiet and it was empty. Baia Tsikoridze, the owner of the gallery, opened the space for him so he could enjoy a private viewing. It's not an easy decision deciding to buy a piece of art, even when you have traveled for this sole purpose - all the way from Italy.

"I saw Merab Abramishvili's paintings on the Sotheby's website. I was just scrolling on the page. But you know how certain art just pops-out at you, and you know what you like when you see it? I have had a business in Georgia for five years now, but have never visited the country. The reason I finally came to Georgia was to buy a painting," explained Bollati.

"This scenario is a result of Georgian art being presented to wide international audience," says Baia Tsikoridze. "It was back in 2013 and 2014 that

Georgian artists participated in Sotheby's auction. It was an experimental project, and the art focused on Caucasian and Middle-Asian countries. Among the other artist, our gallery also presented the works of Merab Abramishvili," Tsikoridze recalled.

Abramishvili's *Man-eater of Kumanon* sold for £35,000. The following year, the auction house priced his piece entitled *Piano* at £25,000. In the end, the works of Georgian artists were listed on both the Sotheby's website and in catalogues. The auction was not only a perfect opportunity to sell Georgian art, but also a great chance to raise the profile of Georgian art globally. It provided an opportunity for art-lovers and collectors from around the world to see their work. In the end, it is Sotheby's that brought Mr. Bollati here," Tsikoridze said.

There are about ten paintings on the wall. Among them hangs Abramishvili's famous *Black Panther* - an ethereal little angel peering out from the corner, a meticulously painted sunflower with seeds resembling fine lace from a distance. While my eyes roam the wall, Davide's eyes are trans-



fixed on the painting of a blooming tree that is so translucent, that it becomes almost transparent in the sunlit room.

"I love plants," he admits. "I'm building a green village in Prama, and there will be a greenhouse and biodiversity garden there as well. I like his (Abramishvili) paintings of plants and flowers. It just so happens that I am not particularly interested in humans or animals," notes Bollati.

Mr. Bollati is the President of the Davines Parma Company, which owns the trademarks Davines - hair care products and Comfort Zone the skin care for premier spas. Both are made with organic ingredients and with a sustainable approach. Since founding the company in Parma, Italy in 1983, the Bollati family has put a huge emphasis on environmental sustainability and awareness. Despite their incredible growth (their products are currently sold in more than 75 countries worldwide, resulting in €94 million in revenue in 2015), the Bollati family has stayed true to their promise, and produce high-quality products that are by all measurable standards, sustainable. The main inspiring factor in Bollati's business is his passion for sustainable beauty, a combination of technology and respect for the environment. "We don't want to be the best in the world, we want to be best for the world," he says

Bollati seems to be cautious; he is not an impulse buyer for sure. So we decided to talk about a weighty decision he was about to make.

How does your profession working in the beauty industry affect your aesthetics on art or raise your standards?

I am an idealist. I idealize beauty. What we do at Davines is kind of aesthetic intervention. So beauty and ideal looks might be a part of it. Beauty for me is a promise of happiness; it is a good medicine that is also very useful - but that might be the pharmacist and cosmetic chemist in me that wants to heal.

How did you develop such an attraction to art?

I am the restless type - always in search of something. My search as a scientist can be tiring, so



I've been looking for something that would give me peace and a sense of harmony. I have few pictures in my house that do that, the kind that have a curative effect on me. I have photos created by Italian photographers - people like Mimmo and Francesco Jodice... I love their landscapes and sceneries. I am fascinated by the Arte Povera movement and by Alighiero Boetti's work in particular. Contemporary German photographers Thomas Ruff and Candida Höfer are also some of my favorites.


What is the most crucial aspect to your decision when purchasing art?

I mostly rely on my heart. That means I have to fall in love with a piece before I can buy it. Sometimes the love is short-lived and sometimes it goes on forever. There are art pieces out there that

resonate with me very much. But buying a piece should also be an economically sound decision. As I told you, it's very personal. That's why I wanted to see Abramishvili's paintings in person and learn the story behind his work, not just buy it online. As a patron you're familiarized with the artist's work in the most intimate way, as the painting or sculpture becomes part of your house and daily life. I also think about the space I have before buying something.

In the end, the space and the size of painting turned out to be crucial. Love aside, the painting should fit perfectly right above Bollati's fireplace. He chose the bigger one, a painting entitled Tree.

"It represents Eudemonia to me," says Bollati, as he signed the contract.

"Happiness is the highest human good." 



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ADVOCATE FOR NATURE

Some 22 years ago, an attorney-at-law working for the world's leading law firm became fascinated with Georgia's vast, sprawling nature. The former office managing partner of DLA PIPER Georgia is an advocate of Tbilisi's historic architecture and possesses a top-notch acumen in legal matters. In an interview with Forbes Georgia, American transplant Ted Jonas discusses the uniqueness of Georgia's cultural heritage and the threats it faces.

AUTHOR: KATE TABATADZE
PHOTOS: KHATUNA KHUTSISHVILI

You have been actively involved in Tbilisi's architectural development since you left your position at DLA PIPER Georgia. What led you to this decision?

I decided to withdraw and give way to the Young Georgian Lawyers Association (YGLA). Previously I had worked as the Office Managing Partner of DLA PIPER Georgia for nine years. I have 25 years of legal practice. I am 54 years-old now, and while I am still young, I want to spend more time on projects that are important to the country's future generation. I want our children to be proud of Georgia's beautiful nature, and the country's rich historic heritage. At the same time, I am still actively involved in the activities of the firm, but my working hours are less now. However, the company is in good hands - we have Otar Kipshidze working in the position of Office Managing Partner at DLA PIPER Georgia, Avto Svanidze is the Corporate Partner, Nino Suqnidze is the Financial Director, and Zura Kiliptari is the Legal Director. This is a team of professionals with 10 years of experience in the legal business. Even the most powerful and influential Georgian legal companies cannot hold a candle to DLA PIPER. We have very high international standards of service, which is our greatest competitive advantage.

What do you think of the ongoing construction taking place in Tbilisi?

Tbilisi is losing its green spaces. Unfortunately, there is no urban planning project in place. This uncontrolled construction is gradually turning the city into Istanbul, a city that has really lost its architectural identity over the years. Even the communists didn't dare do what we now see happening on the streets of Tbilisi. The scale of ugly construction projects was much smaller at the time. Since we aspire to the West, wouldn't it be prudent to look back at the history of the development of European capitals?

For instance, after World War II, the government of The Netherlands decided to demolish the existing buildings, and replace them with modern, socialist construction projects. This decision was thwarted by the business sector. Thanks to the hard work and efforts of Heineken, Amstel and other major companies, the main industrial and residential buildings were renewed, and a new urban planning project was developed, which only allowed new construction to take place on the outskirts of Amsterdam. The city centre of Amsterdam was officially declared a protected area.

The first person that comes to my mind when I think of Georgian businessmen who could do the same for Tbilisi is Temur Ugulava. All of his projects are implemented with a lot of taste. I particularly like his hotel 'Rooms' and the Intercontinental. However, one swallow doesn't make a summer. Georgia would require at least 10 or 15 more Temur Ugulavas to do that. And what about the construction plans in the very center of the city? The Old Town, which has more or less managed to preserve its historic identity up until now, is currently being absorbed by Panorama Tbilisi, a large-scale project implemented by the Georgian Co-Investment Fund. If this project is implemented, the historic district of Tbilisi will lose its chance to be on the UNESCO Heritage list. I dare say that this project isn't commercially profitable either. The \$500 USD million allocated for this project would be a more profitable investment if it were spent on the urban development of the city instead.

Tourists come to Tbilisi to see its historic heritage. Why do foreigners travel to Amsterdam, Berlin or Paris? They travel there because they are interested in the history of these cities. Tbilisi still has the potential to be one of the world's most attractive cities.

The streets of Tbilisi, which are jammed with too many cars and snarling traffic, are a separate topic of conversation. That being said, it's quite logical that this problem exists in view of the fact that a third of Georgia's population resides in Tbilisi. The topography of the city, which doesn't allow for the construction of more roads, makes it difficult to solve this problem.

Do you cooperate with any organizations regarding the ongoing development projects in Tbilisi?

At this stage I am in the process of studying this situation. However, I do not exclude the possibility of establishing an organization that will handle such an issue. I regularly meet with urban development experts like Aleko Elisashvili, Tamar Amashukeli and Irakli Zhvania. These people know Tbilisi very well, and they know exactly what the city needs. However, they do not know how to turn this knowledge into business.

The thing is, the government can't take responsibility for everything. For the past 25 years, Georgians have been learning how to live in a capitalist society. This process is very complicated, and full of challenges. However, the time when people were entirely dependent on the state has long passed, so people must take the initiative themselves.



How do you assess the activities of the Caucasus Nature Fund (CNF)?

Georgia's beautiful nature needs to be preserved. Being a board member of the Caucasus Nature Fund, I try to attract more funding for projects that would be beneficial for the country. CNF works closely with the Agency of Protected Areas (APA) of Georgia.

CNF provides funding for the APA rangers, as well as for the rehabilitation of national parks and other significant projects. Waste reduction, the protection of

wild nature, forest and pastures (both on state-owned lands and protected areas), and the preservation of the country's cultural heritage, are the three priorities that require enormous effort and hard work.

CNF is a German non-profit organization that supports protected areas in the South Caucasus countries of Armenia, Azerbaijan and Georgia. CNF's main funding comes from the German Development Bank KfW, the World Bank and other donor organizations. Bank of Georgia, TBC Bank and Procredit Bank are also major contributors to CNF, which sets a good example for the private sector. I have made some modest donations myself.

The budget of the Caucasus Nature Fund is approximately 30 million Euros. However, only 5% (1.5 million Euros) of the investment revenue is spent annually. The funding is allocated between the three countries based on their needs. You can say that this is an additional budget for the Agency of Protected Areas (APA) of Georgia. DLA PIPER provides the fund with legal services free-of-charge.

What is life like living in Georgia for the Jonas family?

I live with my wife and two children in Sololaki, one of the oldest and most beautiful districts of Tbilisi. However, my heart is still drawn to the wilderness, and I often travel to my summer home in Shua Nichbisi to get away. My sons Alex and David enjoy walks in nature too. We have the most beautiful horses in Nichbisi. Frankly speaking, I prefer to live in Georgia, rather than the United States. I love history and antiquities. I discovered the ruins of ancient villages and churches as I was riding my horse in the deep forests of Nichbisi. A lot of people don't know about this, but there is a local man named Gigo who is a living chronicle. He tells me stories with historic accuracy.

My sons Alex 11, and David 7, spend most of their summer holidays in Nichbisi. During the school year, they attend Tbilisi's Green School.

What was the initial purpose of your trip to Georgia and why did you decide to stay here for good?

For me, working as a lawyer in Atlanta was boring. I wanted to do something more exciting. I came to Georgia in 1994, and began working on the parliamentary program that was being implemented by the National Democratic Institute (NDI) at the time. I fell in love

with this country and refused to go back to the states. I stayed and worked for NDI for another year, and in 1996, I began a private legal practice with Konstantin Rizhinashvili and Gia Bazghadze. Our legal firm was called GCG.

This turned out to be a crucial year in my life, as I met my future wife Nino Tsiskaridze that summer. She was a young lawyer who came to the GCG office for an interview. First we were just colleagues, but after four years we got married and moved to the United States for five years. In 2005, Konstantin Rizhinashvili suggested that I come back to Georgia and work for DLA Piper. I accepted his offer. Nino was also offered a job at the International Finance Corporation office in Georgia.

Is the Georgian market profitable for DLA Piper, the world's third largest legal firm by revenue (\$ 2.6 billion)?

The Georgian office of DLA Piper is probably one of the most modest representations of the firm. Consequently, the revenue rendered by this office compared to the global revenue of DLA Piper, is just a drop in the ocean. Nevertheless, the company has always made good progress. The main advantage of an international brand is that in certain cases we can always count on the assistance of our DLA Piper offices abroad located in the United Kingdom, the United States, Europe and Asia.

DLA Piper has been named 'Game Changing Law Firm of the Past Ten Years' by the FT Innovative Lawyers Awards held in London. How did the firm manage to earn such a rating?

DLA Piper was formed in 2005 as a result of a merger between three law firms - the UK-based DLA, the Chicago-based Piper Rudnick, and the San Diego-based Gray Cary Ware & Freidenrich LLP. This was a merger of unprecedented scale and importance. The British and American founders of the new corporation set a goal to build a company that would offer a wide range of businesses high-quality service tailored to the local markets and its specific needs. Sir Nigel Knowles is a former Global Co-Chairman and the Senior Partner of DLA Piper, who was also responsible for the company's office in Georgia. He was one of the leading strategists. DLA Piper has set entirely new standards of quality, ethics and customer relations etiquette on the Georgian market.

Based on the experience of the DLA Piper's office in Georgia, which types of disputes prevail in our country - those between representatives of the private sector, or disputes between businesses and the state?

Based on our experience, we see an equal number of disputes between businesses, and disputes between businesses and the state. The main complaint that the private sector has against the state is unreasonably high tax penalties, which is due to a lack of proper qualifications, and a lack of professional independence on behalf of the country's Revenue Service. I have no complaints about the law. The weak link is within relevant state agencies. Proper education is what the country needs in order to move forward.

On a larger scale, the current government, if we compare it to its predecessor, is very weak at stimulating the economy by means of foreign financial resources or via its own budget. The appointment of Giorgi Kvirikashvili as the prime minister however is a major step forward for the development of the country. He is an exceptionally constructive politician. Today we can see that the government is actually working. However, it would have been more beneficial if this attitude were demonstrated long before the approach of the elections.

It should be noted that there is notable progress in Georgia's democratic development and the improvement of civil liberties. Businesses in Georgia are no longer subject to extortion, and are also no longer forced to finance various projects, as was the case when the United National Movement was in office. Nevertheless, the practice of incredibly high tax penalties remains a serious problem between the private sector and the state. The current government does not put pressure on businesses, but there are some exceptions, such as the politically motivated high-profile case against Rustavi 2.

You have a very rich legal practice experience in many countries. In your opinion, is Georgia developing based on a Western model, or are the Soviet remnants still observable in our country?

Georgia is a progressively developing former Soviet state with European and Euro-Atlantic aspirations. The country is a leader in the entire region based on its outstanding achievements in the judicial and civil spheres. 



THE DANISH HOSTESS OF GEORGIA

Georgia is a country of opportunities... These words have even greater value when they come from a foreigner. Charlotte Emborg has lived and worked in Georgia for 15 years. Presently she is involved in the development of Georgia's tourism sector

AUTHOR: KATE TABATADZE
PHOTOS: KHATUNA KHUTSISHVILI





The phrase 'at rejse er at leve' belongs to Hans Christian Andersen, and like the famous Danish writer, my guest also knows very well that 'to travel is to live. Charlotte Emborg left her hometown of Copenhagen 20 years ago. After earning a degree in London, she spent time working in both Yerevan and Baku, but says that Georgia is where her home is.

And although Emborg's adopted country is just a tiny blip on the map, Georgia possesses a very rich history, and according to many foreign visitors -endless miles of captivating landscape. In all, nearly 5.5 million visitors came to Georgia in the past eleven months, and these visitors have had a significant impact on Georgia's economy. Today, tourism comprises 7 percent of Georgia's total GDP. According to the National Statistics Service of Georgia, total direct foreign investment in Georgia for the last three quarters of 2015 came to over USD 1 billion.

Naturally, tourists and investors come to Georgia and spend their money. This can be viewed as a short-or medium-term investment. However, there are some that come to our country and stay here permanently, which can literally be viewed as a long-term direct foreign investment in Georgia's economy. These people are often professionals, and one of them happens to be the first guest of our new column in Forbes Magazine.

Charlotte Emborg - or the Danish hostess of Georgia, as Charlotte calls herself - is the PR and Marketing Manager at the Georgian Hospitality Group (GHG). The company was established when leading companies in the Georgian tourism and hospitality sector, including Caucasus Travel, Explore Georgia, CT Auto, Georgian Events, AMEX, and Carlson Wagenlit, merged to form GHG. Emborg is also the corporate events manager at Georgian Events Ltd. Our new column will be dedicated to people like Emborg - people who work in Georgia for Georgia.

Emborg stands out for her vivacity and tireless enthusiasm, two contagious personality traits that serve her well. As far as her office, it is both lively and business-like, as Emborg prefers to have direct communication with her staff, rather than work alone in a back office.

When I first met Emborg, she was working at Batumi Oil Terminal. We met at the Georgian International Oil, Gas, Infrastructure and Energy Conference. The conference was held at the Sheraton Metekhi Palace Hotel in Tbilisi. Participants of the conference showcased their products at various booths, during which Emborg emanated a host-like presence, drawing a lot of visitors to her company's banner. As people stopped by her stand, she would offer them information leaflets and various souvenirs. While Emborg has worked at several companies in Georgia, her main pursuit has always been public relations and communications.

Today, informing the world about Georgia is Emborg's main duty, priority and her passion. So it's no wonder that our interview began with a discussion on the subject of tourism in Georgia. Emborg says that a lot is being done to develop this sector, but many challenges remain. Emborg emphasizes the active involvement of the Georgian National Tourism Administration (GNTA), and notes that Georgia is involved in various international exhibitions. She believes that Racha has a lot of untapped potential, and that this remarkably beautiful part of Georgia requires the appropriate infrastructure in order for it to attract more tourists.

"The development of tourism in the various regions of the country is greatly beneficial to the local population, and tourism-related revenue can make a significant contribution to the country's economy," notes Emborg, adding that much is being done in this respect.

Emborg also believes that the development of tourism requires the right kind of education and competence. She explains that the service sector in Georgia is still developing, and that it's vital that this continues in order for Georgia's tourism sector to be a continued success.

"The signs of development are obvious. Let's take for example Batumi... people used to travel there only in the summer. Today, this port city located in the southwest of Georgia attracts tourists year round. The Kakheti region has also been very successful in this regard," she explains.

Emborg is also delighted by the fact that in addition to the surge in tourists, there has also been a growing number of businessmen and women coming into the country.



"2015 has been a really significant year for Georgia. Tbilisi hosted the annual EBRD meeting, as well as the inaugural Tbilisi Silk Road Forum. On behalf of the Georgian Events Company, I can say that Georgia is becoming a regional hub for hosting international events," she explains with a sense of pride.

Emborg notes that Georgia already has the necessary infrastructure in place for this, and that ongoing work continues in this direction. According to the Georgian Tourism Administration, as of the 3rd quarter of this year, a total of 1,443 accommodations and 50,286 beds have been registered.

HOME IS WHERE THE HEART IS

The atmosphere in the Emborg's home is strikingly tranquil. After a hard day's work, the family comes together in the guestroom for dinner. Charlotte lives with her husband, her two children, and two dogs. Ginger, the English cocker spaniel, is the youngest member of the family. She loves to eat, and she spares no effort in entertaining and amusing her owners in hopes of earning a few extra treats. Chili, the Russian cocker spaniel, seems more sedate. 'Spice Girls' is the term Emborg used to introduce me to her four-legged friends, who naturally were the first to greet me at the door. Their best friends are the Emborg's 11 year-old son



Sebastian, and 9 year-old daughter Isabelle. And while both children are happy to travel back to Denmark, both feel at home in Georgia. The young Emborgs attend a private school in Tbilisi.

For all intents and purposes, the Emborgs have a normal family and live a normal family life, something that would have seemed unthinkable for Charlotte several years ago, as she recalls vividly her first impression of Georgia upon her arrival in Tbilisi in the late 90s. At that time, she could hardly imagine herself living in a country where even electricity was a luxury.

But the walls in her house reflect the deep respect her family has for Georgia. A large canvas with large red spots displayed in the center of

the living room caught my attention in particular. Esben Emborg, the Honorary Consul of Denmark in Georgia, cannot hide his admiration when he talks about Mikheil Makharadze's canvas entitled April 9th. He admires the fact that Georgia has endured some very difficult times, and withstood a lot of adversity over the years. Noting how in 2003 the country embarked on a path to reform. The progress of development is irreversible he says.

A DANISH CHRISTMAS

Just because you move to another part of the world does not mean that you leave your traditions behind. Therefore, let's jump to the New Year - and yes, I mean this both figuratively, and in the literal sense.

“THE DEVELOPMENT OF TOURISM IN THE VARIOUS REGIONS OF THE COUNTRY IS GREATLY BENEFICIAL TO THE LOCAL POPULATION, AND TOURISM-RELATED REVENUE CAN MAKE A SIGNIFICANT CONTRIBUTION TO THE COUNTRY’S ECONOMY,” NOTES EMBORG, ADDING THAT MUCH IS BEING DONE IN THIS RESPECT.”

Emborg tells me that there is a New Year tradition in Denmark where you need to climb atop a chair or a table so that when the clock strikes twelve, you can literally ‘jump’ into the New Year. Emborg has already made one such leap. Due to her extremely busy schedule in December, she completed her Christmas preparations in November.

“December is typically a very busy month. There are lots of events planned for December. So I decided to prepare in advance, I bought gifts and tickets to Europe,” she says.

Emborg notes that she had no trouble whatsoever with early Christmas shopping, since there are plenty of good shops to choose from in Tbilisi. Not to mention, there is always the option of shopping online, which enables you to buy anything you want year-round.

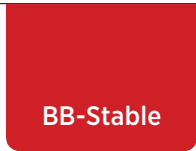
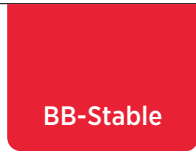
Emborg and her family travel to Switzerland for Christmas Eve. Usually they stay at Esben’s brother’s house near Lake Geneva for a few days, and then make their way to Denmark to celebrate Christmas with Emborg’s family.

“There was one exception four years ago when we stayed in Georgia for Christmas. We organized a party at home and invited all of our friends - both foreign and Georgian. Everything was in accordance with Danish Christmas traditions. We decorated the Christmas tree, which absolutely has to be real - we don’t like to use artificial trees in Denmark. We also cooked traditional dishes of pork and goose. The guests loved the Danish cuisine. Our guests also enjoyed the Danish Christmas candle tradition. According to this tradition, everyone leaves the room except for the eldest

person, who stays behind to light the candles on the Christmas tree. Once all the Christmas candles have been lit, the participants of the celebration return to the room lined-up according to their age. This is truly a magical scene to watch. After that, we begin dancing and singing around the Christmas tree, which is a very healthy and wise decision - especially considering the large, high-calorie dinner we ate. And in the end of course, we open Christmas gifts,” Emborg explains with a nostalgic smile on her face, as she recalls her Danish Christmas in Georgia.

Mrs. Emborg told me another story that is actually reminiscent of an old Georgian Easter tradition; one that revolves around rice pudding with almonds. According to Emborg, one of the puddings has an almond inside. Whoever is fortunate enough to receive the pudding with the almond, can expect to have a lucky year. The winner also receives a special prize - a marzipan pig. Why a marzipan pig? Well, even my hostess is unable to explain why. But she says that winning is so important for Danes, they even resort to various tricks. For instance, some will go as far as to prepare an almond beforehand, and then sneak it into their piece of pudding. This is similar to how Georgians use a wooden Easter egg in our traditional good luck contest, where opponents battle one another by hitting each other’s eggs to try and crack them. The person who ends-up with the last unbroken egg is believed to have a year of good luck ahead of them. Lastly, Emborgs seem to be happy to end up in Georgia. They are here to stay for the long term - in the country where the heart is. 

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- Association Agreement with EU

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(Percentage of users paying a bribe to tax authorities in the last year)

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| 1% Denmark | 2% Canada | 9% Armenia |
| 1% Norway | 2% Switzerland | 15% Turkey |
| 1% Korea (South) | 4% United Kingdom | 18% Ukraine |

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- 10 Singapore
- 25 Ireland
- 28 Netherlands
- 41 Russia
- 49 United States
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- 94 Turkey
- 107 Germany
- 136 China

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- 3 Georgia
- 9 Denmark
- 17 Singapore
- 23 Latvia
- 34 United States
- 39 Ireland
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- 43 China
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SOURCE: GLOBAL CORRUPTION BAROMETER: TRANSPARENCY INTERNATIONAL, GLOBAL CORRUPTION BAROMETER 2013 (LATEST REPORT). STARTING A BUSINESS, REGISTERING A PROPERTY: WORLD BANK, EASE OF DOING BUSINESS 2016 (RANK OUT OF 189 COUNTRIES). RULE OF LAW INDEX: THE WORLD JUSTICE PROJECT, RULE OF LAW INDEX 2015 (RANK OUT OF 102 COUNTRIES). INDEX OF ECONOMIC FREEDOM: THE HERITAGE FOUNDATION, INDEX OF ECONOMIC FREEDOM 2016 (RANK OUT OF 178 COUNTRIES).



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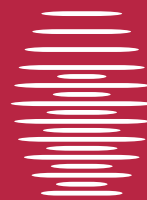
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