

ENGLISH ISSUE

Forbes

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Forbes English #18 // October 2020

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**SHERATON
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Sheraton Grand Tbilisi Metechi Palace has been awarded Bureau Veritas' SAFEGUARD label

An independent auditor **Bureau Veritas** has reviewed our policies and procedures in relation to Sheraton Grand Tbilisi Metechi palace to evaluate whether the processes, procedures and resources implemented to manage the hygiene and social distancing risks in relation to or related to **COVID -19** is at a level such that they meet the requirements of Bureau Veritas' **SAFE GUARD** standard.



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LeaderBoard

The World's Tech Giants, Ranked by Brand Value

BY THERAS A.G. WOOD

The pandemic has businesses everywhere on the ropes, with many firms filing for bankruptcy since lockdowns began. Despite the uncertainty, tech giants and major digital retail brands are still thriving—and some are running circles around those that are less pandemic-proof.

Using data from Kantar and Bloomberg, a recent brand report released by BrandZ shows which tech companies are proving their worth to consumers during COVID-19 chaos. With data covering almost 4 million consumers, BrandZ also reveals that the tech sector leads the world's 100 most valued brands in terms of financial power and consumer sentiment.

Here's how the top 20 tech brands from the report stack up:

Rank	Company	Brand Value (2020)	Change (%)
#1	Apple	\$352 billion	+14%
#2	Microsoft	\$327 billion	+30%
#3	Google	\$324 billion	+5%
#4	Tencent	\$151 billion	+15%
#5	Facebook	\$147 billion	-7%
#6	IBM	\$84 billion	-3%
#7	SAP	\$58 billion	0%
#8	Instagram	\$42 billion	+47%
#9	Accenture	\$41 billion	+6%
#10	Intel	\$37 billion	+17%

Out of the top five tech brands, Microsoft made the biggest moves with 30% brand value growth. Other big movers in the top 20 were Instagram (owned by Facebook), Adobe, and LinkedIn (owned by Microsoft), rising 47%, 29%, and 31%, respectively.

Broken down by nation, U.S. brands are dominating tech's heavy hitters, claiming 14 of the world's top 20 tech brands. Chinese brands round out much of the remaining top 20, including tech entertainment and social media giant Tencent, which rose 15% in brand value since 2019.

RANKED: THE WORLD'S 20 MOST VALUABLE TECH BRANDS

The customer has spoken. Tech brands continue to prove their worth in the face of the pandemic.

Based on 3.8 million consumer interviews and financial data from 17,801 brands across 51 markets, here's how the globe's top tech brands rank in 2020.

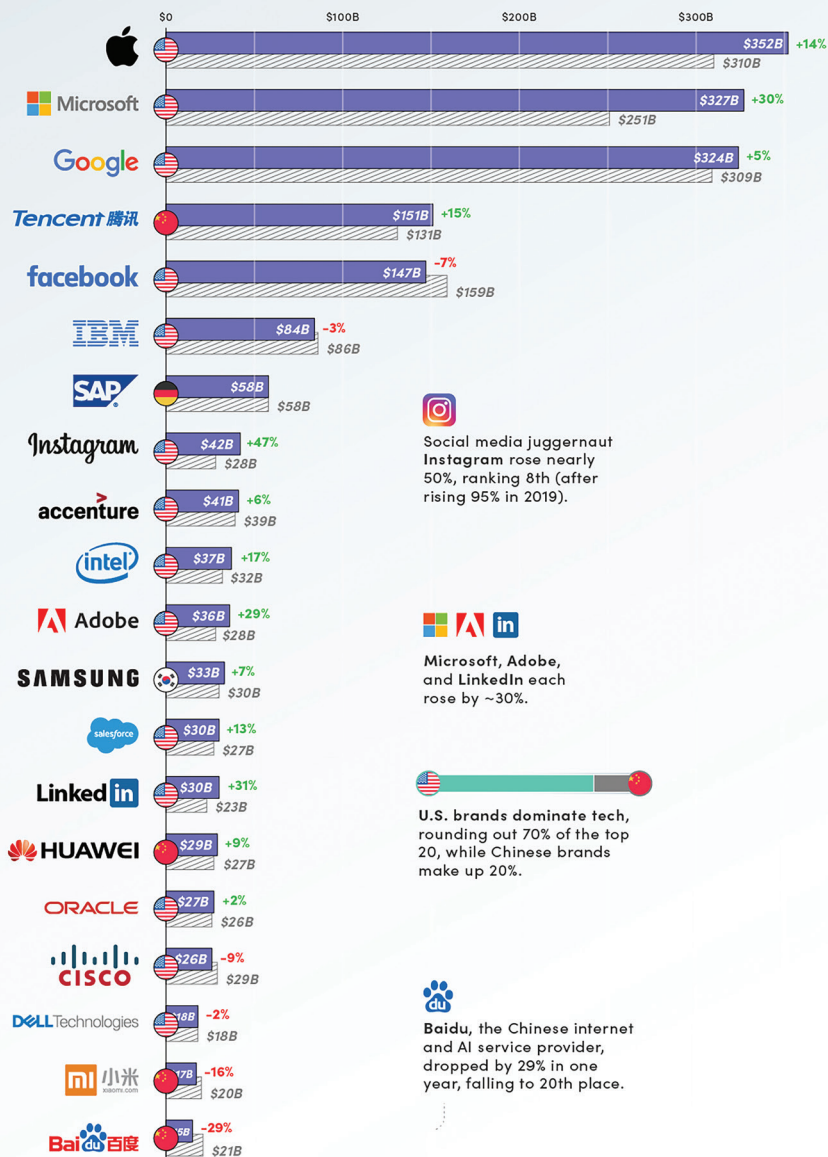
FINANCIAL VALUE X **BRAND CONTRIBUTION** = **BRAND VALUE**

Financial value of the parent company attributed to the specific brand, including current and projected performance.

Financial value driven by brand equity, including likelihood that a consumer chooses the brand over another, or pays more for it.

THE TOP 20 MOST VALUABLE TECH BRANDS OF 2020

2019 Brand value 2020 Brand value



Tech has proved its value during the COVID-19 pandemic and resilience during market volatility with strong risers like Instagram, LinkedIn, Microsoft, and Adobe.

Brand value in \$US billions and rounded to the nearest billion

Source: BrandZ Global Top 100 Most Valuable Brands / Kantar (including data from Bloomberg)

LeaderBoard

Big Tech's Heavyweights

Tech's top brands are raking in billions of dollars, capturing consumer mindshare, captivating people, and comforting them during volatile months. Apple, Microsoft, Google, Tencent, and Facebook—tech's leading contingent—have made those moves look easy during what are rough times for many world brands.

While most tech brands in the upper half of the top 20 saw significant increases in brand value, only Facebook and IBM were in decline from 2019, at -7% and -3% respectively. The biggest loss in tech's top 20 came from China's Baidu, which fell by -29% in 2020.

Waning consumer trust, thanks in part to the perceived misuse of personal data, is a gap that tech's popularity alone won't fill forever. (Following the Cambridge Analytica scandal, nearly 25% of Facebook account holders reported being “extremely” or “very” concerned about their personal data.)

Pandemic-Proof Applications

Coming in at eighth place, Facebook-owned Instagram gained 47% in brand value—a huge percentage, but less than the whopping 95% growth it had in 2019.

On the whole, digital apps have been faring well during the pandemic, especially those built for entertainment, shopping, social connection, and delivery.



These brands had anticipated, even invented, the online-offline dynamics of modern life that became indispensable for survival during the lockdown homebound weeks of avoiding the contagion.

– BrandZ 2020 Global Top 100 Report

Top Brands, by Category

While the brand value growth rates of tech giants aren't entirely immune to the effects of COVID-19, the likes of Apple, Microsoft, and Google are growing steadily, surpassed only by e-commerce leader Amazon.

With data collected into April 2020, BrandZ's report on the world's top 100 brands reflects multiple shifting needs and consumer concerns at a categorical scale.



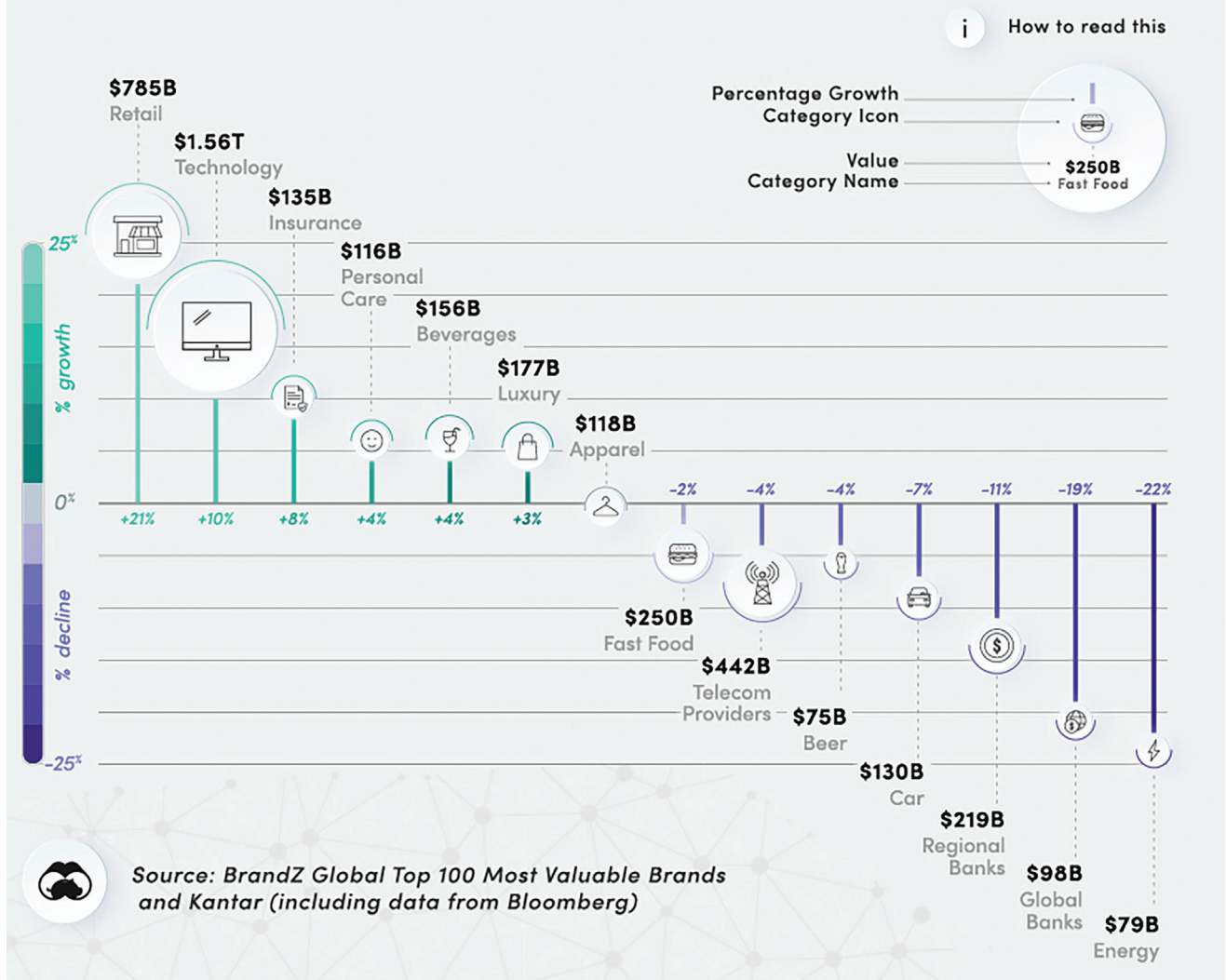
While consumer affinity for e-commerce and social media brands has increased, fast food and beer brands took a hit, despite reports of increased alcohol consumption and food delivery during lockdown. It would seem then, that consumers have been valuing their tools and means of consumption.

Of the report's 14 brand categories, only six increased in value, mostly by less than 5%. Of the top risers, six were tech brands and six were mainly e-commerce.

Other upwardly mobile brands were those in the apparel and personal care categories. Much like retail, those categories had an increasing reliance on technology to deliver their products.

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ALL THE WORLD'S BRANDS: CATEGORY CHANGE COMPARISON



The above chart shows overall categorical changes for 2020 led by retail, tech, and insurance. In the opposite corner, energy, and bank brands took the biggest hits.

Rolling with the Punches

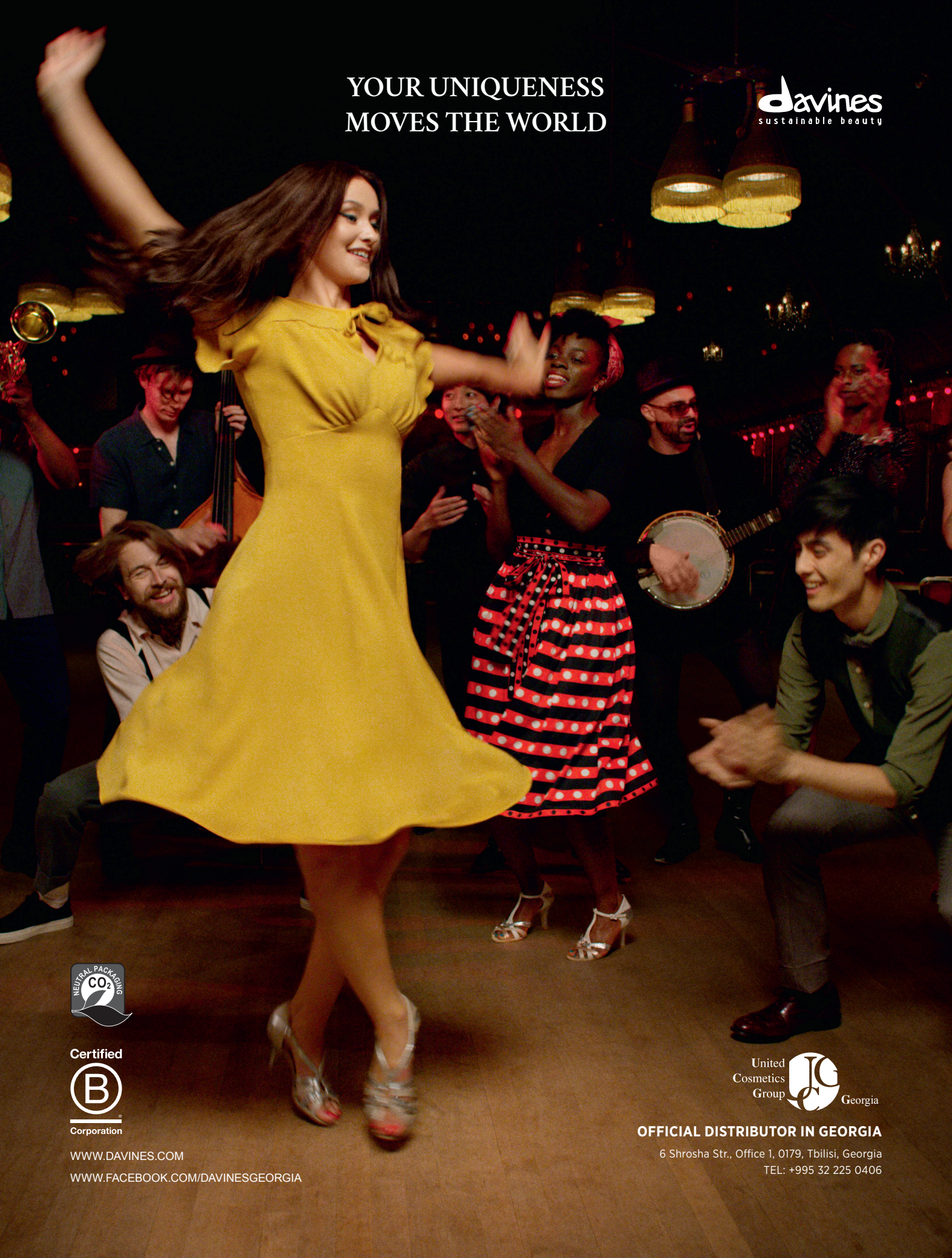
The economic impacts of COVID-19 are undeniable. Even still, BrandZ's top 100 brands marked a steady increase of 6% in value in 2020, compared to 7% the previous year.

This pandemic has offered up era-defining change, with tech and e-commerce seizing the day. But in a climate where nothing can be taken for granted, brands large and small are still taking their knocks.

For now, the brands that are embraced by consumers will be those that can apply a salve to the blows that 2020 keeps delivering.

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How Big Tech Makes Their Billions

BY OMRI WALLACH

The world's largest companies are all in technology, and four out of five of those "Big Tech" companies have grown to trillion-dollar market capitalizations.

Despite their similarities, each of the five technology companies (Amazon, Apple, Facebook, Microsoft, and Alphabet) have very different cashflow breakdowns and growth trajectories. Some have a diversified mix of applications and cloud services, products, and data accumulation, while others have a more singular focus.

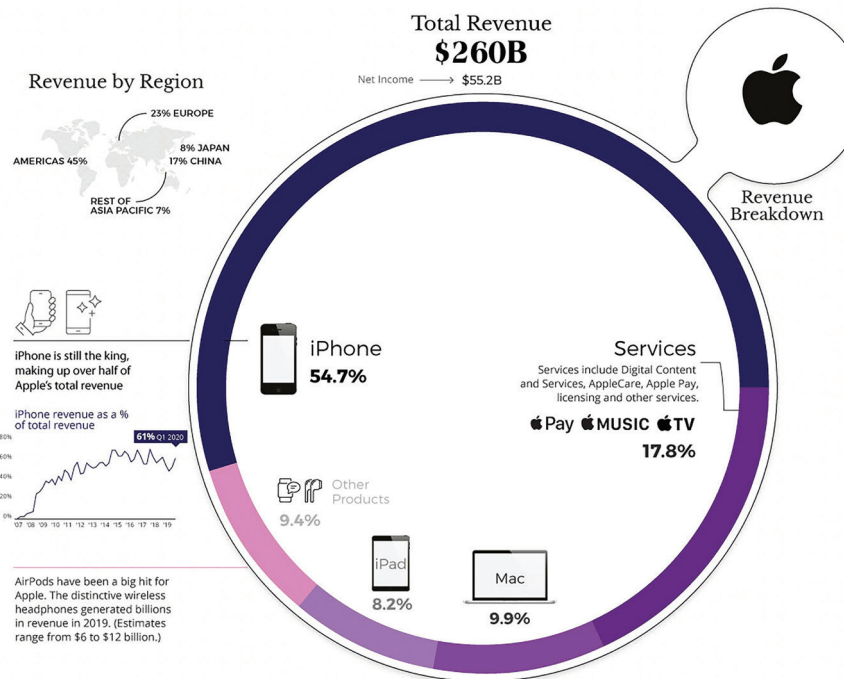
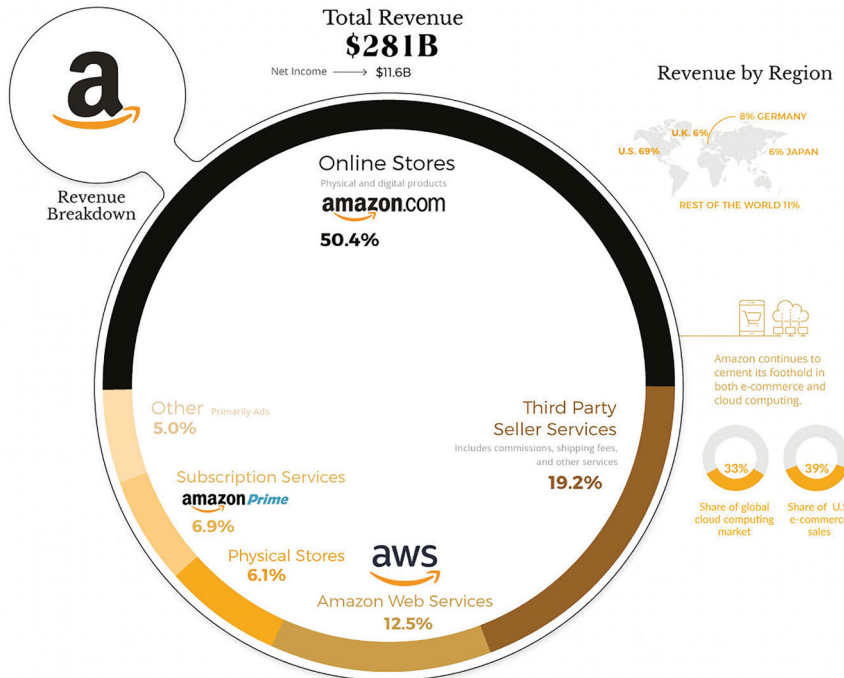
But through growth in almost all segments, Big Tech has eclipsed Big Oil and other major industry groups to comprise the most valuable publicly-traded companies in the world. By continuing to grow, these companies have strengthened the financial position of their billionaire founders and led the tech-heavy NASDAQ to new record highs.

Unfortunately, with growth comes difficulty. Data-use, diversity, and treatment of workers have all become hot-button issues on a global scale, putting Big Tech on the defensive with advertisers and governments alike.

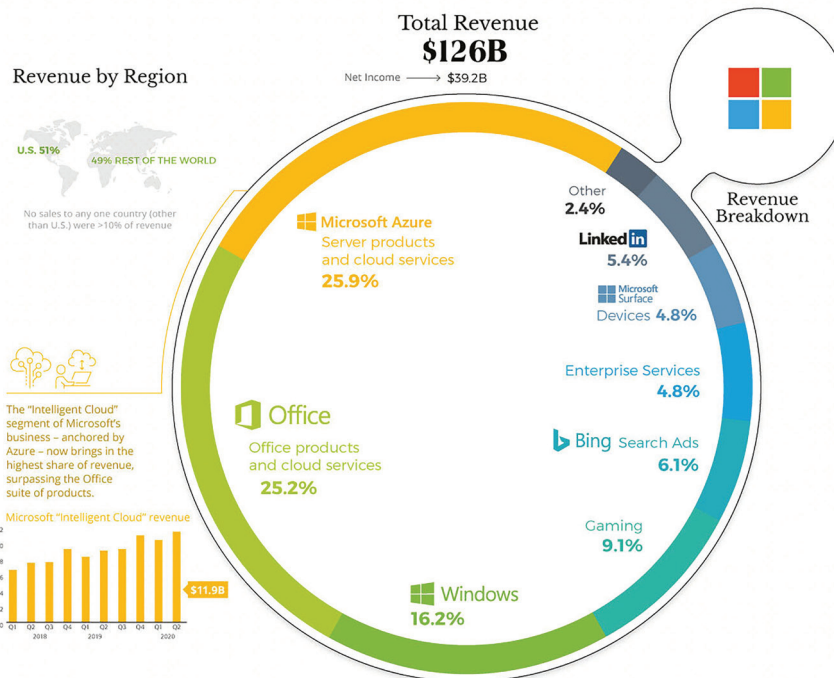
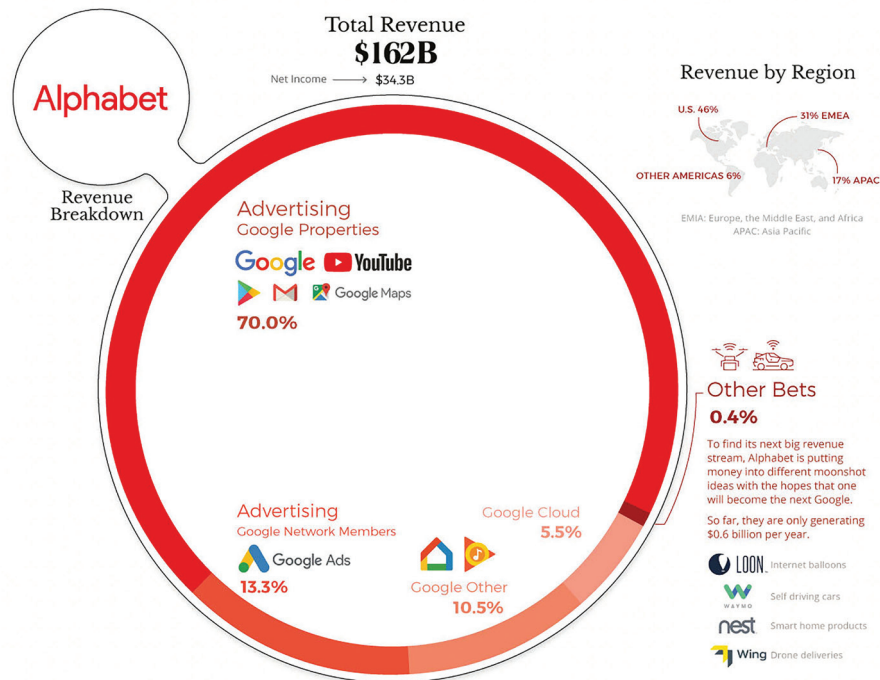
Still, even this hasn't stopped the tech giants from (almost) all posting massive revenue growth.

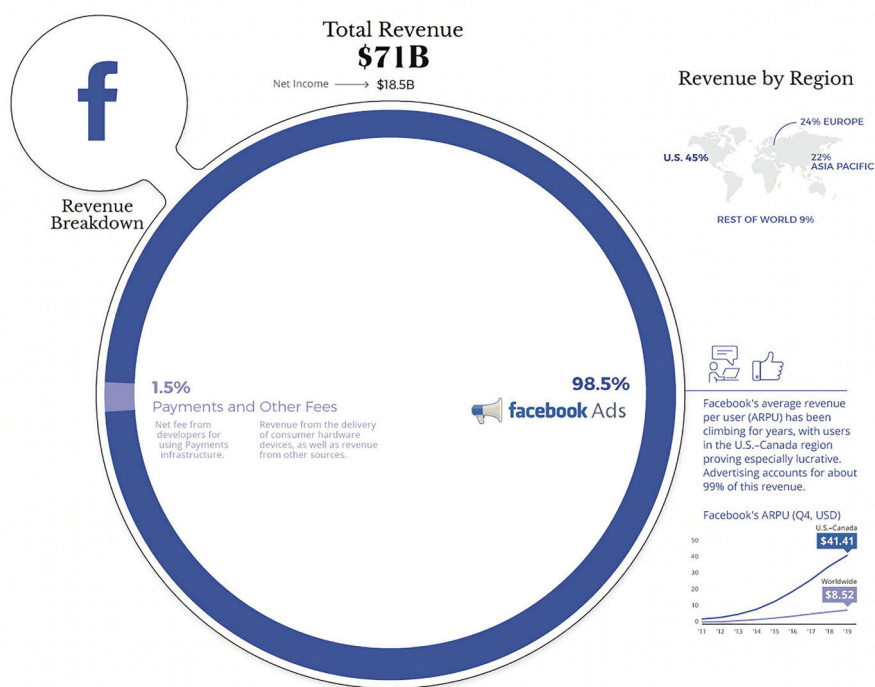
The Big Five tech companies generate almost \$900 billion in revenues combined – an amount that rivals the GDP of countries like Saudi Arabia and the Netherlands.

How do they earn their billions?



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Revenues for Big Tech Keep Increasing

Across the board, greater technological adoption is the biggest driver of increased revenues.

Amazon earned the most in total revenue compared with last year's figures, with leaps in almost all of the company's operations. Revenue from online sales and third-party seller services increased by almost \$30 billion, while Amazon Web Services and Amazon Prime saw increased revenues of \$15 billion combined.

The only chunk of the Amazon pie that didn't increase were physical store sales, which have stagnated after previously being the fastest growing segment.

Company	Revenue (2018)	Revenue (2019)	Growth (YoY)
Apple	\$265.6 billion	\$260.2 billion	-2.03%
Amazon	\$232.9 billion	\$280.5 billion	20.44%
Alphabet	\$136.8 billion	\$161.9 billion	18.35%
Microsoft	\$110.4 billion	\$125.8 billion	13.95%
Facebook	\$55.8 billion	\$70.8 billion	26.88%
Combined	\$801.5 billion	\$899.2 billion	12.19%

Services and ads drove increased revenues for the rest of Big Tech as well. Alphabet's ad revenue from Google properties and networks increased by \$20 billion. Meanwhile, Google Cloud has seen continued adoption and grown into its own \$8.9 billion segment.

For Microsoft, growth in cloud computing and services led to stronger revenue in almost all segments. Most interestingly, growth for Azure services outpaced that of Office and Windows to become the company's largest share of revenue.

And greater adoption of services and ad integration were a big boost for ad-driven Facebook. Largely due to continued increases in average revenue per user, Facebook generated an additional \$20 billion in revenue.

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Comparing the Tech Giants

The one company that didn't post massive revenue increases was Apple, though it did see gains in some revenue segments.

iPhone revenue, still the cornerstone of the business, dropped by almost \$25 billion. That offset an almost \$10 billion increase in revenue from services and about \$3 billion from iPad sales.

However, with net income of \$55.2 billion, Apple leads Big Tech in both net income and market capitalization.

Company	Revenue (2019)	Net Income (2019)	Market Cap (July 2020)
Apple	\$260.2 billion	\$55.2 billion	\$1.58 trillion
Amazon	\$280.5 billion	\$11.6 billion	\$1.44 trillion
Alphabet	\$161.9 billion	\$34.3 billion	\$1.02 trillion
Microsoft	\$125.8 billion	\$39.2 billion	\$1.56 trillion
Facebook	\$70.8 billion	\$18.5 billion	\$665.04 billion
Combined	\$899.2 billion	\$158.8 billion	\$6.24 trillion

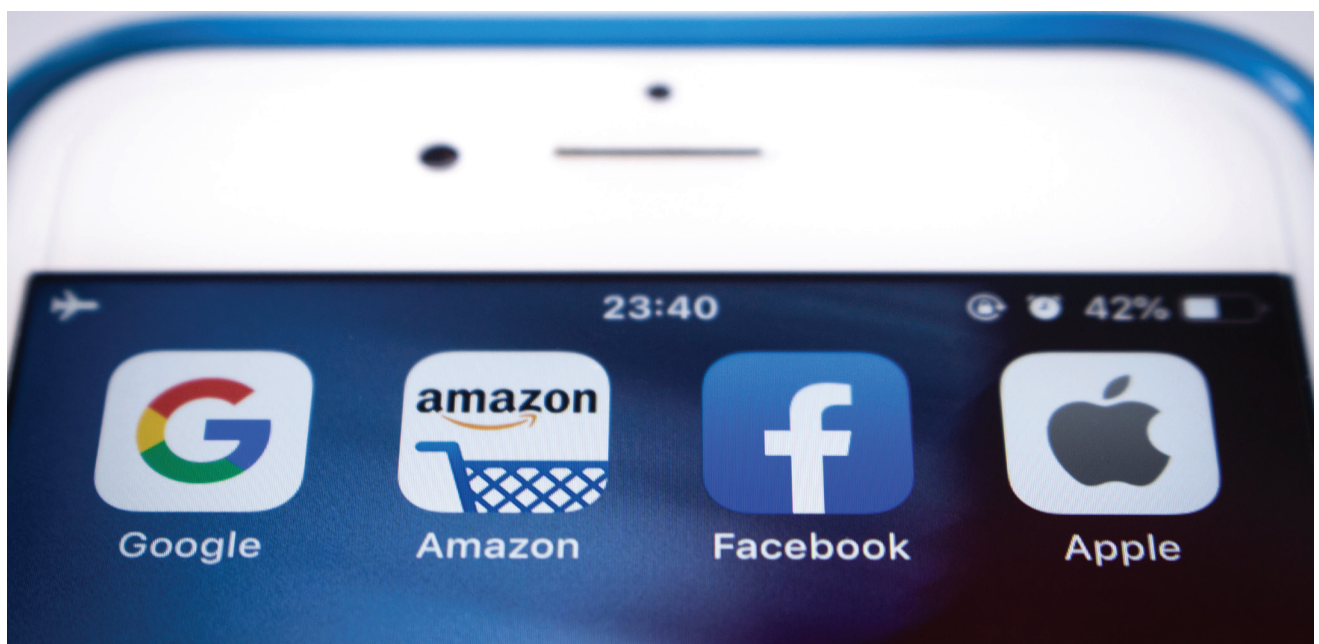
Bigger Than Countries

They might have different revenue streams and margins, but together the tech giants have grown from Silicon Valley upstarts to global forces.

The tech giants combined for almost \$900 billion in revenues in 2019, greater than the GDP of four of the G20 nations. By comparison, Big Tech's earnings would make it the #18 largest country by GDP, ahead of Saudi Arabia and just behind the Netherlands.

Big Tech earns billions by capitalizing on their platforms and growing user databases. Through increased growth and adoption of software, cloud computing, and ad proliferation, those billions should continue to increase.

As technology use has increased in 2020, and is only forecast to continue growing, how much more will Big Tech be able to earn in the future?



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THOUGHT LEADERS

DAVID URBANEJA-FURELOS - CURRENT EVENTS

GREEN FINANCE CAN SUPPORT GEORGIA'S ECONOMIC RECOVERY



ECONOMIES WORLDWIDE are increasingly aware of climate change, as they often suffer its adverse effects. The Coronavirus (COVID-19) pandemic, for all the widespread health and economic pain it is unleashing worldwide, may offer one silver lining.

It could help redouble efforts to address the climate challenge, with lockdowns spurring visible albeit temporary reductions in greenhouse gas emissions and a greater openness to alternative economic growth paths.

Investors recognize the need for collective efforts to tackle climate change by mainstreaming climate mitigation and adaptation into their investment decisions, as well as finding new ways to finance development.

This creates space for innovative financial instruments such as green bonds. With proceeds used exclusively to finance new or refinance existing projects that have environmental and climate-related benefits; these are an innovative way to promote transparency and accountability to investors. They also contribute to sustainable development by helping to reduce greenhouse gas emissions and promote energy efficiency.

The market for green bonds and loans is growing and reached an estimated \$257 billion in 2019. Many are guided by the Green Bond Principles, one of the best-recognized green bond standards, and follow the guidelines of the International Capital Market Association

to promote transparent disclosure and reporting.

Georgia recently entered the market for green bonds with the issuance of a \$250 million 5-year Eurobond by Georgia Global Utilities (GGU), one of the country's largest corporate players in infrastructure. The Asian Development Bank (ADB) played a key role as an anchor investor, drawing on its structuring experience in similar successful issuances in South East Asia in recent years. This was the first-ever green bond issued in the South Caucasus.

The bond is an important step for Georgia's clean energy ambitions and its broader development goals. By spurring sustainable water resource management and boosting generation of renewable energy, it is helping to mitigate the impacts of climate change in one of the most vibrant and open economies in Central Asia and the Caucasus.

ADB's financing through the GGU green bond adds to ongoing initiatives for improved water and sanitation services in Georgia. Proceeds are earmarked for investments that will reduce water losses, refurbish water supply networks with additional water meters, and introduce smart systems to increase efficiency. The transaction underlines ADB's commitment to financing solutions, both public and private, for improved utility services in four out of five households across Georgia.

By pioneering green bonds in the region, ADB sup-



DAVID URBANEJA-FURELOS, INVESTMENT SPECIALIST IN THE PRIVATE SECTOR OPERATIONS DEPARTMENT OF THE ASIAN DEVELOPMENT BANK



ports investments in green and climate-smart projects that help to achieve the low-carbon future envisaged under the Paris Agreement on climate change and the Sustainable Development Goals. Its previous green bond initiatives include a vital role as anchor investor for a 10-year \$410 million green climate bond issued in 2019 by AC Energy, a wholly-owned subsidiary of Ayala Corporation in the Philippines, which is listed on the Singapore stock exchange. The proceeds supported the company's plans to finance renewable energy projects in Indonesia, the Philippines, and Vietnam.

Green bonds can also be an important part of the response to economic slowdowns caused by the pandemic. They help companies access capital markets when liquidity is tight, build confidence among international investors, and can support attracting follow-on investments.

Despite their enormous potential, green bond issuance by the private sector remains limited in most developing markets. This is mainly because issuers are unfamiliar with the requirements and investors lack experience. The best way to address this is to establish local private sector green bond markets and support issuances by credible companies that apply international best practices, as ADB did in anchoring the recent GGU green bond issuance.

Georgia is well placed to take a lead in the region. It is recognized globally for its remarkable response to the pandemic, with one of the lowest rates of new infections in the South Caucasus and Central Asia. Georgia's long-standing commitment to innovation, integration in international markets and good governance can accelerate its economic recovery.

By strengthening partnerships with

international investors, development finance institutions and other sustainably minded parties, Georgia can continue to enhance transparency, corporate governance, and best practices on environmental and social standards. Creating an enabling environment for green finance will put Georgia ahead of the curve.

Georgia's sustainable development would also benefit from further support from the private sector and enhanced access to finance. These can lead to investment opportunities in clean and sustainable projects, while developing more liveable cities and enhancing job skills needed in a modern economy.

With the economy reopening, Georgia is in a unique position to implement an innovative, inclusive and diversified economic model to overcome this pandemic and chart a new low-carbon growth path. **F**



THOUGHT LEADERS

RAN GIDOR - CURRENT EVENTS

MAKING PEACE AND WINNING THE WAR AGAINST CORONAVIRUS



GEORGIA IS FORTUNATE not only to enjoy peaceful relations with almost all its neighbours, but also to have managed the COVID19 crisis better than most countries. However, Georgia was also quick to recognize the potential for using the deadly virus as a diplomatic tool. Tbilisi offered Yerevan assistance back in June (despite an earlier diplomatic spat), and generously opened its medical facilities for residents of the breakaway enclaves of Abkhazia and South Ossetia.

It's interesting to compare this to recent developments in the Middle East. The peace agreement between Israel, the UAE, and Bahrain is a historic moment that brings together some of the most prominent states in the Middle East for the good of humanity. Combining forces and finding common ground has never been more urgent than it is now during the global pandemic, and the Abraham Accord is set to generate immediate results.

The leaders of Israel, the United States and the UAE hailed the agreement as a "historic diplomatic breakthrough that will advance peace in the Middle East", "chart a new path", and "unlock the great potential in the region". Moreover, the Health Ministers of both Israel and the UAE have already agreed to cooperate on healthcare issues, particularly around the Coronavirus, as well as to set up business delegations and a student exchange program.

Almost immediately after Israel and the UAE announced their peace agreement, an Emirati investment firm and an Israeli tech company signed a deal to jointly research and develop a Coronavirus testing device that will diagnose the disease more quickly and precisely. The two countries have also committed to work together on medical research and pharmaceuticals, collaborating particularly in the development of treatments and vaccine trials for COVID-19. The same Emirati investment firm has further signed a memorandum of understanding

with a leading Israeli hospital, setting up Israel as a new major destination for medical tourism from the UAE. Both countries have suffered because of the pandemic, and it's therefore fitting that the first field of cooperation will be in healthcare.

Israel and the United Arab Emirates are both young countries that have managed to develop dynamic and thriving economies in just a few decades. Both are at the cutting-edge of innovation and technology, they share the same entrepreneurial spirit, and both will gain from the expansion of trade and commercial ties. The Israeli Ministry of Economy predicts that exports and investments between Israel and the UAE could soon reach some hundreds of millions of dollars per year. The fields of cyber security, energy, medicine, finance, communication, and agriculture are just some of the sectors expected to benefit from the newfound expansion of trade and investment between Israel and the UAE.

These initiatives and collaborations represent just a drop in the ocean of what is to come due to the normalization of relations between Israel, the UAE, and Bahrain. The citizens of all three countries will undoubtedly see their lives enriched as a result of this agreement, paving the way for increasingly more countries in the region to realize the vast potential that exists in making peace with Israel. The United States remains a central player in the region and a true ally of all sides and played a key role in brokering this accord.

The challenges we are facing today know no boundaries, as the situation in the Middle East - but also in the Caucasus - demonstrates almost daily. It is, therefore, imperative that we combine our capabilities for the benefit of all our citizens. We call on all those following this historic moment to voice their support for the peace agreement, and to encourage others to do the same. **F**

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THOUGHT LEADERS

GELA BARSHOVI - CURRENT EVENTS

GEORGIA IS WELCOMING INTERNATIONAL FREELANCERS—

What they can enjoy and what they should pay attention to



A FEW DAYS AGO, the minister of Economy and Sustainable Development of Georgia made an announcement about the government's initiative regarding letting international freelancers to legally work in Georgia.

Detailed information regarding the initiative is yet to be published. So far we know that freelancers will need to fill in a simple application form before entering Georgia and provide certain information (e.g. personal information, employment/service contract, and most importantly, after entering the country, freelancers will have to quarantine for 14 days at their own expense.

Information will soon be available with more details; the purpose of this article is not just to talk about this (fantastic) initiative and the necessary procedures, but also to inform freelancers and other interested parties about the benefits they can enjoy from our country and the areas where they have to be careful. As a Georgian tax expert, I will be mostly focused on tax-related issues.

ADVANTAGES OF LIVING AND WORKING IN GEORGIA

COVID-situation

First of all, Georgia is a COVID-safe country with a relatively minor number of new cases every day, also, the number of recoveries exceeds the number of new cases. This of course, provides a feeling of stability and safety to people living here. In addition, the economy is almost fully open and while walking on the street you do not feel that the whole world is in the throes of a global pandemic

(the only sign of this is a lack of tourists).

Tax, Tax, and more Tax

Personal income tax of a resident natural person is 20% in Georgia. However, in many cases 1% or even 0% tax can be enjoyed. So, for many expats, Georgia can become not only a COVID-safe haven but also a tax haven as well.

Most notably, the main rule of tax residency in Georgia is physical presence for more than 183 days within 12 consecutive months while the 183rd (and next) day(s) fall within the same calendar year.

After spending the above-mentioned 183 days, the longer you stay here, the higher the chance that other jurisdictions will not consider you a resident or the tie-breaker rules of the applicable tax treaties (article 4) will recognize you as a resident of only Georgia. This can protect you from taxation in other countries. 1% tax:

Taxpaying natural persons receiving income up to 500,000 GEL (approximately \$165,000) per calendar year can obtain "Small Business" status, obtain a proper certificate and enjoy a tax rate of only 1% on gross revenue. If a small business entrepreneur's annual revenue exceeds 500,000 GEL in one calendar year, that would not mean that "Small Business" status would automatically be revoked; only if the 500,000 GEL threshold was exceeded for two consecutive years, then this special tax status would be lost.

Notably, in the first year of exceeding the revenue

GELA BARSHOVI IS AN INTERNATIONAL AND GEORGIAN TAX CONSULTANT AND MANAGING PARTNER OF THE AUDIT AND CONSULTING FIRM TPSOLUTION.

threshold, the excess amount is taxed at 3% while revenue within the limit will remain subject to a 1% tax rate.

There are three types of economic activities of "Small Business" status entrepreneurs, each with different tax implications:

1. Economic activities that are allowed for small business entrepreneurs and are taxed at 1% (or 3% above 500,000 GEL if applicable);

2. Activities that are allowed for small business entrepreneurs and taxed with ordinary rate of 20%;

3. Economic activities that are not allowed for small business enterprises, meaning that in case of performing such activities, the status of small business will not be granted/will be annulled.

It should be noted that the 1% tax rate does not apply to employment income. However, receiving a salary does not prevent a person from enjoying 1% taxation at the same time on other income received from economic activities (e.g. provision of service). So, as you can see, the classification of the contractual relationship with a customer/ employer is particularly important.

In case you are not able to obtain "Small Business" status, you can establish a company (in one day with no minimal capital requirement) and pay 0% corporate income tax if you reinvest all profits in Georgia.

0% taxation:

No worldwide taxation applies to natural persons in Georgia. They are taxed only on income received from Georgian sources.

However, the term "non-Georgian Sourced Income" should not be interpreted verbatim. For example, any income paid from abroad is not necessarily considered as being produced outside of Georgia. There is a special article (#104) of the Georgian Tax Code that defines the types of incomes that are considered as Georgian versus non-Georgian.

Several examples of non-Georgian (exempt) income are as follows:

- Dividends received from a non-Georgian company;
- Interest paid by a non-resident operating abroad;
- Pensions received from outside of Georgia;
- Capital gains from selling a share in a non-resident company (unless most of the assets of this company are immovable properties located in Georgia);
- Profits from selling crypto currency.

So, Georgia is a good place for stock trading as well. If you are a tax resident here and receive dividends, capital gains or interest from abroad, it is likely you will get full tax exemption in Georgia.

Please note: The same principle does not apply to service income, meaning that in many cases (but not all) service remuneration paid by non-residents is considered as received from a Georgian source. Service remuneration cases are examined on a case-by-case basis by a tax consultant.

Living environment

Georgia is an affordable country with a low cost of living, friendly people, good weather, amazing nature (especially if you like mountains), fantastic food and wine, and an enjoyable social scene.

Residential rent is cheaper than the most (if not all) European countries, as is the cost of utilities. A newcomer can rent a nice, small flat for \$300 and work from here. If you find working from home boring and mundane, you can rent an affordable co-working space of which there are plenty in Tbilisi. You can eat delicious food and drink fabulous wine (Georgia is the birthplace of wine with a wine-making history going back thousands of years) every day just for a couple of dollars. Additionally, there are bars, cafes, and restaurants on every corner of the city. Lastly, Georgians are one of the friendliest people in the world; the only thing you would need to do is to respect our culture.

POINTS TO TAKE NOTE OF:

Again, taxes in Georgia

VAT might become a problem for natural persons and legal entities providing services from Georgia abroad. The so-called, "destination principle" applies in many countries (including the EU) where services provided abroad are treated as export-exempted from VAT with the right of VAT deduction. Georgia implements this rule partially, meaning that provision of services abroad is exempted from VAT only in certain types of activities. These activities exempted are listed in Article 166, subparagraph "D" of the Georgian tax code. So, please, pay extra attention to this and be sure that your activities fall in the exempt category. Importantly, Article 166 is to be amended very soon (hopefully from the beginning of 2021), according to a planned amendment of the law, most of the services provided from Georgia to abroad will be exempt from VAT.

Please note: the VAT (and Reverse VAT) rate is 18% in Georgia. The registration threshold is 100,000 GEL of taxable transactions per 12 calendar months. VAT does not apply to employment income.

Roads

Please be careful when you cross the road in Georgia, we are still getting used to following driving rules strictly (but we are making progress). Also, use weekends to get out of the capital city to enjoy the fresh air (there are many options here).

CONCLUSION

This article provides general information for natural person entrepreneurs/freelancers about the pros and cons of Georgia and mostly concentrates on tax issues. The information detailed above is not lengthy but can provide a good start for any interested foreigners to get an impression of the country as a new potential place for living or working. In one sentence, this is an amazing place for natural persons who are working independently and/or doing business remotely. **F**

AmCham Ukraine: “The Rotten Court System is the Main Reason why FDI has Kept Away”



During the quarantine period, the American Chamber of Commerce in Ukraine conducted several surveys to find out the impact of Coronavirus on business in the country. According to Ukraine's COVID-19 Business Impact Survey, conducted together with the chamber member-company Deloitte at the beginning of quarantine, 65% stated that their organization would not be able to fulfil their 2020 business plans. A joint survey with the AmCham member-company Citi Ukraine on doing business after lockdown showed that 64% of members saw a decrease in revenue, 80% of companies managed to retain all their employees, and 49% of companies plan to decrease investment in the country.

"We are all in this together - civil society, the business community, and the government. We all feel the significant impact of the spread of the virus and need to remain united to be strong. The Ukrainian government has taken measures to safeguard the Ukrainian people as much as possible during the COVID-19 pandemic. Still, due to the lockdown, a number of businesses will not be able to fulfil their business plans this year. We see that the pandemic affected many industries, for example, aviation, tourism, and hotels, transport, and media. There are still a lot of things the government should do to help the business community on the ground,"

Andy Hunder, President of the American Chamber of Commerce in Ukraine (AmCham Ukraine) and Treasurer of AmChams in Europe, told Forbes Georgia.

According to Hunder, in a recent survey, conducted jointly with Citi Ukraine, companies highlighted that it is vital to keep people safe and reopen the economy in general; continue the bold reform agenda: ensure the rule of law, a strong legal and court system, fight corruption, improve investors' and creditors' protection rights, put an end to oligarchic privileges and monopolies; support and help SMEs; consider economic stimulus and incentives to spur investment as well as maintain employment.

BY MADONA GASANOVA

What would you suggest the government do to speed up economic recovery after the pandemic?

The top three highest priorities for business now include cooperation with the IMF to ensure macroeconomic stability, combating the COVID-19 pandemic to save more lives, and economic recovery to protect employment. In order to make Ukraine's economy demonstrate accelerated growth after the COVID-19 outbreak, boosting Foreign Direct Investment is a must. AmCham Ukraine developed a strategic document entitled '10 Steps for Ukraine's Economic Growth', which can help achieve this goal. The steps include: the rule of law; macroeconomic stability and cooperation with the IMF; fair, predictable and transparent tax policies and a decrease of the shadow economy; secure investment and property rights, including intellectual property rights, and land reform; increase of governmental spending on healthcare significantly and enhancement of food safety; export promotion and improvement of trade facilitation;

development of vital infrastructure; transparent privatization; reduction of talent outflow and Ukraine's energy independence.

What are your expectations regarding how the global pandemic will change the culture of businesses?

At the beginning of the lockdown, AmCham launched the 'Leadership in Times of Crisis' project on social media to support businesses during these challenging times for Ukraine. We wanted to show how AmCham member companies were turning challenges into opportunities, what they were doing for their employees, and how they help the Ukrainian people. I spoke to more than a hundred CEOs of companies from different sectors. All of them emphasized the importance of proper, sincere communication with their team and with clients, the importance of showing support and empathy, and the ability to handle uncertain situations. The crisis shows us that together we can overcome uncertainty to

build a bright future. Obviously, after Coronavirus we will live in a new world; where building trust takes place online, where one has to adjust to unique circumstances, and reacting quickly will be crucial.

There seems no end to the global pandemic yet, but still every country is trying to get over it with minimum economic impact. What would you suggest to businesses in this regard, what are the steps that are required to be taken in order to return to pre-pandemic economic conditions?

According to our latest survey on doing business after the COVID-19 lockdown in Ukraine, the anticipated time when companies' revenue will return to "normal" differs, but the vast majority forecast the end of 2020 to the beginning of 2021 with 17% in Q3 2020, 24% in Q4 2020, and 16% in Q1 2021. Digitalization of processes and implementation of online services, returning to "business as usual" as soon as possible, saving workplaces, and retaining talent are the main focuses of AmCham member companies' post-COVID-19. I think that for every business nowadays, it's vital to be agile, adapt quickly, and be helpful to their customers. I always say that we live in truly historic times. All businesses are learning how to work differently nowadays and to adjust quickly by creating new business models and introducing smart strategies. It's time to be ready for both small and big challenges every day - take new opportunities, use new channels, create online services, and new products. Coronavirus has shown us that the future is tightly connected to digitalization - from remote working to digital payments. Businesses today have to build relationships online, sell and buy online, communicate, and create online. It's a new reality. A successful company today is the one that adapts to the new reality and gets maximum opportunities out of it.

What are the main concerns for investors willing to invest in Ukraine?

The rule of law is a critical factor in fostering Ukraine's economic development, enhancing business and the investment climate. The rule of law is critical for business, as it serves as a crucial precondition for investors' trust and creates the confidence to put significant capital into Ukraine. It is also the number one concern for investors. No one should be exempt or above the law. Investors are not looking for privileges; they merely want justice. According to Ukraine's Business Climate Survey, conducted by the American Chamber of Commerce in Ukraine in partnership with Citi Ukraine in October 2019, 74% of businesses said that the courts are the biggest obstacle for business in Ukraine. 85% of companies believe that fixing this will greatly help to improve the business climate in Ukraine, thereby attracting Foreign Direct Investment.

While talking about your three Ps - prevent, publicize and punish - you have been claiming that work remains to be done on the final P - punish, and that's why you have been supportive of the establishment of an anti-corruption court and consider it as extremely important. The High Anti-Corruption Court of Ukraine was established on 11th April 2019. How did it change the business environment of Ukraine, and what was the number of appeals by U.S. companies to the above-mentioned court?

The rotten court system is the crucial reason why FDI has kept away, and this has led Ukraine to become the poorest country in Europe. There is a definitive correlation between the rule of law and prosperity: countries that adhere to principles of good governance attract and develop top-calibre companies that are better equipped to make long-term investments, create jobs, pay taxes, enact high labour and environmental standards, and put down roots in the communities where they operate. We look forward to the President of Ukraine taking responsibility and pushing for the rule of law. The High Anti-Corruption Court of Ukraine must show tangible results. But apart from that, AmCham Ukraine members have a view on four crucial elements of judicial reform that will help to unleash a new era of transparency and fair justice in Ukraine. Namely: the work of the High Council of Justice and the High Qualifications Commission of Judges of Ukraine should be renewed; the independence and the integrity of judges should be strengthened; courts should be screened, finally a Specialized Independent Judicial Body and a new International Arbitration Institute should be established.

What are the main advantages of Ukraine compared to other countries in the region? What makes the U.S. interested in Ukraine? What are the most attractive business sectors for U.S. investors in Ukraine, and how will the picture change after the pandemic?

"Brains and grains" are the most valuable assets Ukraine possesses. Ukraine's geographical location also gives a lot of advantages, as it is located at the crossroads of the most important directions of world trade transport routes in the Eurasian region. According to our survey, Ukraine's top five most attractive characteristics for investors are talent, low labour costs, considerable access to the European market, low production costs, and the growth rate of businesses. Also, by European standards, Ukraine has enormous land resources. Over 70% of the country's total area is agricultural land. Ukraine also possesses a significant amount of rich fertile black soil representing 25-30% of the world's reserves. According to the results of 2019, agricultural products hold leading positions in the ranking of goods exported from Ukraine. According to our Business Climate Survey, Ukraine's most attractive industries to invest in are agriculture, energy, and renewables. ^F



A SINGLE SHAMPOO

A Single Shampoo has been developed following the principles of sustainable life cycle assessments a procedure that evaluates every possible impact on natural resources, environment and society during the entire life cycle of the product from raw material and production, until use and disposal.

STRATEGIES

INTERVIEW

AmCham Armenia: “Things will Never be the Same Again”



The global pandemic has made consumers and households more fearful about the future. Consequently, even if the economy fully opens up again, they may not be able or be willing to spend as readily as they did before COVID-19. Meanwhile, selective sectors –such as IT and e-commerce – had the possibility to take advantage of opportunities and expand their businesses; as in many other countries, a new wave of start-ups emerged in Armenia. Armenia annual GDP growth is preliminary estimated to shrink up to 6% in 2020 from the robust growth of 7.6% in 2019, and the recovery is expected already in 2021. “However, a longer lasting and more intensive Coronavirus outbreak, spreading widely throughout the region would weaken the prospects of a recovery considerably,” said **Karine Sarkissian**, Executive Director at the American Chamber of Commerce in Armenia. In her interview with Forbes Georgia, Mrs. Sarkissian spoke about the business environment in Armenia during Covid-19 and shared her expectations for the future.

BY MADONA GASANOVA

What was the impact of the global pandemic on U.S. businesses in Armenia?

In Armenia, the spread of COVID-19 created overall negative economic expectations for consumers and businesses in general, including businesses with U.S. origins or related to the country in some way. At the American Chamber of Commerce in Armenia, the following sectors are represented by U.S. companies: finance and other services 32%, ICT 21%, tourism and hospitality 15%, FMCG and other consumer and durable goods 17%, education 10% and energy and mining 5%. As per an internal company survey, 46% of the companies are expecting to have significant revenue reduction in 2020 of more than 20%, and 36% could not give a clear estimation.

There was a relatively strong adverse impact on tourism and hospitality, cafes, restaurants, and related sectors. Most of the players in this space have been shut since mid-March due to quarantine and have not generated any significant revenue. Winemakers lost all their export opportunities and had to hold their liquid assets and take the burden of long-term financial liabilities. Due to increased home consumption, the FMCG sector remained resilient, but the risks associated with supply chains were elevated. The IT sector is in the best position, and it is one of the most developed sectors in Armenia.

To preserve macroeconomic stability, the government of Armenia took several measures to mitigate the near-term impact of COVID-19. How would you assess these measures, did they manage to bring relief to businesses?

The government of Armenia initiated an unprecedented economic package of an initial \$300 million to soften the economic and social impact of the current situation and the support continues. Part of the package was directed at targeted aid and a major part was invested in financing opportunities for businesses. The higher spending and

the injection of financial resources into the economy by the government, the supportive monetary policy and the grace period on loan repayments in vulnerable sectors are expected to significantly soften the liquidity shortage, thereby mitigating the negative impact on GDP growth and employment. However, it is still too early to evaluate the effectiveness of the measures.

What would you suggest the government do to speed up economic recovery after Covid-19?

I would suggest that the government of Armenia thoroughly evaluates the existing situation, continues dialogue with the private sector and makes targeted interventions in those sectors that are prioritized as quick wins.

Some say it would be incorrect to assess the impact of Coronavirus on the economy only negatively, as increased demand for IT and communications services have had some positive impact. Can we see the pandemic as an accelerator to the above-mentioned sectors?

The pandemic changed our way of doing things and took us out of our comfort zones and made us more analytical and cautious. At the same time, the crisis created new needs to address and issues to resolve. Selective sectors –such as IT and e-commerce –had the possibility to take advantage of opportunities and expand their businesses. For example, remote working, which was not the best solution for companies before became the only solution to keep business going. As a result, there was a strong need for a wide variety of videoconferencing and workflow systems. A new wave of start-ups came along and offered solutions for remote meetings. More internet usage strained the digital infrastructure, which led to massive new investments in cloud computing, digital processing, and much more.

The world is being transformed, and we can either lead that transformation or wait until it is at our door.

What are your expectations of how the global pandemic will change the culture of businesses?

The global pandemic forced businesses to evaluate their systems and understand their weaknesses and opportunities in a non-standard environment. Then businesses realized that they needed to be more resilient and extremely focused on contingency planning for unexpected situations. Crisis management needs to be exercised consistently, rather than having it only on paper. In the future, businesses will be a lot better prepared for contingency planning and disaster recovery.

Companies have responded to the crisis and mobilized their resources, now they will need to evaluate their workforce capabilities and competencies, their supply chains, the external regulatory framework, and strategize their long-term planning. They will also need to be more innovative in planning, as well as put more focus on their human resources, as in the future, remote working will still partially continue, and it will bring some productivity gains in organizing business meetings and reducing some high travel costs. A good mix of remote and face-to-face interactions will add value to daily routines, in my opinion.

There seems no end to the global pandemic yet, but still every country is trying to get over it with minimum economic impact. What would you suggest to businesses in this regard, what are the main steps that are required to be taken in order to return to pre-pandemic economic conditions soon?

Things will never be the same again... The global pandemic made consumers and households more fearful about the future. Even if the economy fully opens up again, they may not be able or be willing to spend as readily as they did before COVID-19.

At the same time, businesses will be reluctant to invest, as they will have a fear about a new wave of the virus. So, consumer and business confidence need some time to recover. It will take time, money, and resilient planning for recovery and to get back to normal. Businesses need to have a strong focus on their core areas and competencies, run an in-depth evaluation of the business and their sector, review their human, financial, and operational resources and come up with the best recovery scenario, taking into consideration the change in household buying behaviour, purchasing power, investment priorities, as well as macroeconomic factors.

What are the main concerns for investors willing to invest in Armenia?

The main concern remains the uncertain pandemic situation. The

government of Armenia welcomes foreign investment and investors should not be concerned. The Ministry of Economy Investment Support Centre is the main government body responsible for the development of investment policy in Armenia, as well as serving as a one-stop-shop to assist new and existing investors.

One of the concerns might be Armenia being a small market with a population of less than three million. However, many U.S. and other international companies have established branches or subsidiaries in Armenia to take advantage of the country's pool of qualified specialists and trade preferences with the Eurasian Economic Union (EAEU). The closed border with Turkey and Azerbaijan could be another reason for concern, as well as the revolutionary changes that the country is undergoing, as businesses need stability.

What are the main advantages of Armenia in comparison with other countries of the Caucasus?

Armenia is located at the crossroads of the Middle East, Europe, and the Caucasus countries. Armenia's investment and trade policies have favourable legislation for foreign investors. The country has the following benefits: guaranteed and free repatriation of invested capital and profit, property rights, tax benefits for foreign investors, agreements for mutual promotion and protection of foreign investment, no restrictions on the right of foreigners to manage local companies, easy and fast registration of a company at the state register. Armenia is part of the Liberal Trade Regime, is a member of the World Trade Organization and the World Customs Organization, has free trade agreements with CIS countries, and is a member of the Eurasian Economic Union (EEU), which has around 180 million consumers.

Armenia has achieved respectable rankings on some global indices measuring the country's business climate. As per the World Bank recent rankings, Armenia is ranked 47th out of 190 countries in terms of ease of doing business. In terms of ease of starting a business, Armenia is 10th and for registering property 13th. According to the Index of Economic Freedom, Armenia is 47th.

Foreign companies are entitled by law to the same treatment as Armenian companies. Armenia has strong human capital and a well-educated and skilful population, particularly in science, technology, engineering, and mathematics; leading to significant investment in the high-tech and information technology sectors.

A massive anti-corruption campaign was launched after the 2018 change of government to eliminate systemic corruption. The fight against corruption continues and needs to be institutionalized in the long-term in critical areas such as the judiciary, tax and customs operations, health, education, military, law enforcement sectors and intellectual property rights.

In Armenia the following companies are examples of successful operations: Armenia Marriott Hotel Yerevan, The Alexander a Luxury

Collection Hotel, Cisco Systems INC., Hylink Intellkors, Helpsystems, Microsoft Armenia, Mentor Graphics Siemens Business, National Instruments; Synergy International Systems Inc., Synopsys Armenia, Coca-Cola HBC, Pepsi-Cola Bottler, Philip Morris, Contour Global, and McCann Erickson.

The economic implications of the Armenia-Azerbaijan conflict is being discussed a lot currently as it has a negative economic impact not only for the two countries, but also the whole region.

What is your opinion on this issue and what is the cost of the conflict for the region?

The conflict has a long-lasting history and has continued more than three decades with forgone economic development opportunities in the region. It is hard to give an accurate cost evaluation of the economic impact. The region faces closed borders, limited trade and investment opportunities and little potential for regional cooperation. A resolution to the conflict will yield big economic benefits to both parties, and the region would benefit from development. Savings on defence budgets will massively benefit the population and the region will take a stronger development path with large public investment into the health, education and well-being of the society, as well as infrastructure, to increase productivity and attract more investment. It will have a strong impact on GDP and growth in general, as well as improve standards of living in the region.

The key message from the Prime Minister of Armenia, Mr. Pashinyan, is that the Armenia-Azerbaijan conflict resolution should be acceptable to the people of all the conflicting parties, a message which I fully support.

It's quite interesting that AmCham Armenia has been led by females for quite a long time. How active are women in business and what are the main obstacles for them in Armenia?

AmCham in Armenia gives equal opportunity to men and women. It just so happens that our executive team is all female, this is purely based on competencies rather than anything about gender. In the AmCham Board we have 33% female presence as well! From 2018-2019, the Government of Armenia has undertaken to re-launch and introduce several effective mechanisms for ensuring gender equality and adopt the Gender Equality Strategy for 2018-2023.

The level of economic activity of women in the labour market of Armenia is 52.8%, which is significantly lower than that of men at 70.7% (Women & Men, Armenia, statistical booklet, 2018). 47.0% of economically inactive women are housewives or 98.5% of those engaged in households are women. Moreover, 42.4% of these women have higher or secondary professional education (Labour Market in the Republic of Armenia, 2018). 79.6% of employers and 54.4% of the self-employed are men, while unpaid women employees are twice as

many as men (Women & Men, Armenia statistical booklet). The average salary of women is 32.5% lower than the salary of men (Women & Men, Armenia, statistical booklet, 2018) and the difference in income is even greater, it reaches 40%.

The change will be only possible with the implementation of the Policy on Gender Equality, awareness among the female population about their rights and opportunities, and motivating them to take actions and be active in the society as well as in businesses.

What was the volume of U.S. FDI in Armenia in 2019 and what are expected figures for 2020?

In 2019 the total net U.S. investment in the real sector of the economy of Armenia totals to \$2.6 million, of which direct investments were \$603,000. As of the end of 2019, the gross foreign exchange inflows into the Armenian economy by the U.S. amounted to \$469.6 million, of which \$265.6 million was direct investment.

In January-March 2020, the total net investment into the economy of Armenia amounted to \$5.6million, of which \$705,000 was direct investment. It is hard to forecast for 2020 given the current situation with the pandemic.

What are the most attractive business sectors for U.S. investors in Armenia and how will the picture change after the pandemic?

The most attractive sectors remain ICT, agriculture (both traditional and organic), hospitality, energy, and mining; there won't be major changes to this after the pandemic.

What makes the U.S. interested in Armenia?

The government of Armenia has as strong political will to make the economy fairer for all, to improve human rights, fight corruption, and improve the business and investment climate in Armenia. The ongoing reforms will create more opportunities, generate high-quality economic growth, and improve livelihoods to increase the wellbeing of all.

Armenia is a great country with a highly educated population, beautiful unspoiled nature, hospitable people, great food, and a pleasant environment to run a business.

Corruption, nepotism, and interferences at state level are still named as weak points of Armenia. Are U.S. businesses affected by the above-listed problems?

Prime Minister Pashinyan claimed that corruption, nepotism, and interference at state level do not exist anymore. The government has a strong will to fight corruption at all levels and to build an economy where there are equal and fair opportunities for all. U.S. and local businesses are already experiencing these ongoing changes, and with strong willed determination, the best is yet to come! ^F

AmCham Azerbaijan: “The Government Must be Prepared for the Post-Pandemic Period”



Over 257 U.S. companies operate in various sectors of the Azerbaijani economy. As one of the major fields hit by the pandemic has been tourism and hospitality, U.S. businesses operating in this sector have been affected in a significant way. However, as the substantial part of U.S. businesses operate in the oil and gas industry, these investments have overcome the current situation more smoothly.

“In order to speed up the recovery of the economy, the government must be prepared for the post-pandemic period. The government must provide credit for business development and sustainability. Also, there should be an option to consider offering minimum wage support. Additionally, for most affected sectors the government can establish specific rules. For example, in the tourism sector, there can be strict guidelines imposed around social distancing and medical precautions to force the sector to operate within new norms that can attract more visitors to Azerbaijan,” said **Gulnara Aslanbayli**, Executive Director at the American Chamber of Commerce in Azerbaijan.

In her exclusive interview with Forbes Georgia, Mrs. Aslanbayli also talked about the negative economic impacts of the Armenia-Azerbaijan conflict on Azerbaijan and on the whole region.

BY MADONA GASANOVA

The special COVID-19 Operational Headquarters was established by authorities that were tasked to develop specific measures to reduce the negative impact of the pandemic on the country's business environment. How would you assess these measures, did they manage to bring relief to businesses?

At the beginning of the pandemic in the country, the President of Azerbaijan issued an order to allocate 1 billion manat from the state budget to the Cabinet of Ministers for the implementation of measures to reduce the negative impact of the Coronavirus pandemic on the economy, to ensure macroeconomic stability, to support employment and entrepreneurship. In order to effectively implement the measures, the Cabinet of Ministers adopted an action plan containing compensation for damages to entrepreneurs and their employees. The government of Azerbaijan also began to implement a credit and guarantee support program, which enables businesses to get loans with preferential terms. Additionally, the economic support program of the government also envisages tax benefits, privileges, and holidays for business entities. These measures helped affected businesses to reduce their challenges in a significant way.

Some local politicians and economists stated that it would be incorrect to assess the impact of the Coronavirus on the Azerbaijani economy only negatively, as increased demand for IT and communications services have had some positive impact. Can we see the pandemic as an accelerator to the above-mentioned sectors?

I would say that the pandemic affected certain businesses in a positive way. It boosted the IT sphere and other digital and online businesses. I think this tendency will continue in the post-pandemic period too, including the fact that the government has decided to support these businesses after the pandemic.

What are your expectations regarding how the global pandemic will change the culture of doing business?

The pandemic has fundamentally changed the way of doing business and it seems that it will continue to do so. It has forced business and policymakers to do things that were previously considered impossible. As a result, business leaders are quickly embracing new ways to engage with customers, adapting to new ways of working, investing in technology innovation, and revisiting their business

resiliency plans for long-term success. Remote working will boost regions around global economic hubs as firms shed more than a quarter of their city-centre office space. Business will tend to be more actively engaged in technological innovations and automation. Also, corporate social responsibility, sustainability, and climate risk will become part of the overall business supply chain agenda and strategy.

There seems no end to the global pandemic yet, but still every country is trying to get over it with minimum economic impact. What would you suggest to businesses in this regard, what are the main steps that are required to be taken to return to pre-pandemic economic conditions soon?

During this period, it is important to establish a comprehensive remote working option. Employees showing necessary flexibility to shift to the new normal. Businesses must communicate transparently with their customers. To return to the previous economic environment soon, in my view, businesses should create a detailed relaunch plan. In this, they will have to accelerate digital transformation to serve new customers and employee needs and improve data-driven decision making. Additionally, businesses must reinvest in recovery to be able to achieve it soon and properly.

The volume of U.S. investment in the Azerbaijani economy has reached \$14 billion, of which \$12.8 billion relates to the oil and gas industry. While the oil and gas sector has historically attracted the majority of foreign investment, the Azerbaijani government has targeted four non-oil sectors to diversify the economy: agriculture, tourism, information communications technology (ICT), and transport. What are the main reasons behind the lack of investors' interest towards non-oil sectors in Azerbaijan?

Currently the country is undergoing certain reforms, especially economic and judiciary reforms. These are the two main fields requiring most reform. Those four non-oil sectors are the ones that the legislation has set certain preferential terms for. A strong and transparent judiciary is key to attracting investment, it will help to protect investors' rights. Additionally, the government must promote the investment climate for the aforementioned sectors by letting investors know about the current privileges, also to introduce new benefits for them in case they need further ones.

What are the main concerns for investors willing to invest in Azerbaijan?

As I mentioned previously, one of the main concerns for investors is about protection of their rights by law. In this case they look for fair judgment and transparency. Businesses seek mediation and arbitration options also to be in place. Furthermore, predictability for new adopted legislation can be another concern as the businesses tend to be ready for all circumstances in advance. Additionally, I would note employment issues - easy hiring and firing -in accordance with employment legislation.

What are the main advantages of Azerbaijan in comparison to other countries of the Caucasus?

Azerbaijan's economy is growing, and it has already been for a few years since the government started to diversify. It is not only attractive for oil and gas companies, but also for the non-oil economy too. There are ongoing economic, judicial, and structural reforms. The country has stability, which also affects its business climate positively. There were free economic zone and industrial parks established with a number of benefits for investors.

AmCham Azerbaijan has recently organized a webinar: "Economic Implications of the Armenia-Azerbaijan conflict", during which your guest speaker briefed the participants on the negative economic impact of the conflict on Azerbaijan and on the whole region. What is your estimation of this issue and what is the cost of the conflict to the region?


In general terms the conflict destroyed the integrity of the South-Caucasus region. Trade relations with the former Soviet Union were disrupted. The entire occupied region, full of natural resources and production opportunities, remains almost unused. The conflict also led to the loss of large financial resources on both sides because of military expenditure. Instead, these resources could be used for economic development and regional projects, strengthening the economic prosperity of the region. The conflict also threatens European energy security and stability in the whole region, as well as the business and investment climate too.

Over the past several years, the Government of Azerbaijan has adopted a series of measures to increase transparency and combat corruption. However, corruption, together with the authoritarian political

regime remains one of the weak points of the country. Are AmCham members still affected by the existence of corruption?

As AmCham, we always cooperate with the government to improve the business climate in the country. In this direction, we submit various policy papers, such as white papers or position papers to the government. In different periods, these policy documents also included proposals in the way of improvement of transparency, prevention of corruption, reforms in the judiciary system, and so on. Although there still is a need for further improvement in this way, it should also be stated that there is significant progress too. Setting up ASAN (Azerbaijan Service and Assessment Network) centres across Azerbaijan is one of the best initiatives that the government has taken in recent years to aggressively fight bureaucracy and corruption. The establishment of a fully functioning E-government platform also helps to take this initiative even further. Another significant measure aimed at increasing transparency, integrity and helping the fight against corruption in the judiciary system was introduction of the electronic court system. The system introduced electronic filing of documents, automatic allocation of cases and case tracking, observation, and notification (including online observation of court proceedings, receipt of SMS and e-mail notifications by the participants of the proceedings). As soon as the E-court system will be fully implemented in all courts of the country, it will significantly ease access to justice.

It's quite interesting that AmCham Azerbaijan has been led by women for quite a long time. However, women being active in business is still a challenge in Azerbaijan. What are the main obstacles for female involvement in businesses and how can it change?

I think there are several matters that affect this. Lack of support by their families at early stages in their careers, certain legislative assistance and access to finance for establishing business can be some examples of obstacles. However, if there would be support programs for women in business to help grow their businesses, for example legal consulting services free of charge or supplemented by the state, and support for finding relevant markets for their products, then we may witness fundamental changes in this area. For instance, in public procurements there could be a requirement for procuring a certain percentage of goods from female-led businesses. 

STRATEGIES

INTERVIEW

US-Turkey Cooperation Growing Stronger



Turkey, which already has access to some of the world's largest markets, has also strengthened its importance as a hub for global supply chain management during the Coronavirus pandemic. As a result, Georgia's southern neighbour is believed to be in a better position now than before the global pandemic. According to AmCham Turkey, there is strong potential for a closer economic and commercial relationship between Turkey and the U.S. in the future. Forbes Georgia interviewed **Aslı Özelli**, executive director at AmCham (American Chamber of Commerce) Turkey, who talked about U.S. businesses in Turkey during the pandemic, shared the chamber's expectations and recognised the importance of embedding mental health support in corporate culture.

"The Covid-19 pandemic has further elevated the importance of discussing mental health. Throughout the crisis, people have struggled with grief due to the loss of a loved one, isolation or loneliness, general anxiety about the future, and an overload caused by working long hours or juggling work with other commitments such as childcare. To retain the best and the brightest talent, and build trust with their workers, employers need to embed mental wellness support in their corporate culture because the health and safety of employees is critical to long-term value creation," suggests Özelli.

BY MADONA GASANOVA

US-TURKEY COOPERATION STRONGER DURING THE PANDEMIC

Solidarity and cooperation between the U.S. and Turkey have grown stronger during the Covid-19 pandemic. AmCham Turkey has taken comprehensive measures along with its 110+ members to overcome the effects of the Covid-19 pandemic with the least damage possible. To date, the chamber's member companies have provided TRY 40million worth of financial and in-kind support to prevent the spread of Covid-19 in Turkey. Some examples include medical equipment donations to hospitals and testing centres, delivery of food boxes, cleaning materials and basic hygiene goods to quarantined residences and free online communication services.

AmCham Turkey is currently working on different projects regarding the integration of Turkish SMEs and start-ups into the global supply chain, which is expected to be restructured after the Covid-19 pandemic. In the upcoming period, AmCham Turkey plans to accelerate its efforts to maintain the continuity of the supply chain and increase the participation of Turkish SMEs in the global value chain in order to ensure the stability of the economy and trade between the two countries.

ECONOMIC RELIEF PACKAGE

From the beginning of the pandemic, Turkey implemented the necessary actions regarding public healthcare; this has always

been a resilient sector in Turkey and it has already taken long-term measures to provide sustainable economic growth. Self-sufficiency in terms of supply has become vitally important given the current global context. As Özelli says, Turkey is among the few countries across the world that managed the pandemic period and did not experience a major break in its supply chains.

Government bodies have put great importance on mutual communication during the pandemic, and AmCham Turkey in collaboration with Turkish authorities, worked on contribution areas to overcome the effects of Covid-19. AmCham member companies continue to make long-term investments in Turkey through their production facilities, R&D, engineering, and innovation centres.

THE FIVE PRIORITIES OF AMCHAM TURKEY FOR 2020-2021

Before the pandemic, AmCham Turkey determined five priorities for 2020-2021.

- Protect existing U.S. investments and trade in Turkey;
- Provide active support to attract new U.S. investments and trade;
- Promote Turkey and Istanbul as a regional hub;
- Pursue greater participation in global value chains for its Turkish partner SMEs;
- Participate in the development of world-class diverse talent and

improve corporate governance and ethics.

Now in this extraordinary global environment, members of the chamber have realized that their priorities have become even more important in terms of the sectors that were rapidly evolving before the crisis. In Özelli's words, the physical logistics of goods of course cannot and will not be ruled out at any time soon. However, "the way of doing business unexpectedly altered and this is expected to remain the same for a long period of time; this indeed has come with its benefits as well as some challenges."

"Looking forward, businesses are expected to use both physical and virtual facilities efficiently. Merging conventional and technology-led new business models in a sustainable manner will be at the heart of the transformation that the business world is undergoing," said Özelli.

US-TURKEY RELATIONS IN FIGURES

According to data from the Central Bank of Turkey, the country has attracted \$2.8 billion of foreign direct investment from the U.S. in 2019. According to Özelli, in 2020, FDI figures may not reach this level because of the Covid-19 pandemic. However, she does see an overall upward trend in Turkey's exports to the United States- total exports to the U.S. in 2019 amounted to \$9 billion, while imports from the U.S. totalled \$12 billion. The trade volume between the two countries exceeded \$21 billion. Turkey's export to the United States was just over \$3 billion in 2009. So, Turkey's exports to the U.S. tripled in ten years. These figures are significant indicators of Turkey's increasing share of trade in the global market.

AmCham Turkey represents more than 110 U.S. companies, which have over \$50 billion of investment in the country. Pursuant to Özelli, "many U.S. companies position Turkey as a regional hub; they manage their investments across the region from Turkey. Approximately twenty AmCham members position Turkey as a hub for their operations in nearly 80 countries."

THE NEW NORMAL

AmCham members, who position Turkey as a regional hub, operate in various sectors - such as automotive, fast-moving consumer goods, industrial production, and information technologies. Looking at the FDI data of 2019, U.S. companies mostly invested in finance, production, energy, IT services, wholesale and retail trade, logistics, storage and construction. AmCham members aim to increase the value they add to Turkey in the new normal of digitalisation and a focus on healthcare.

BUILDING FURTHER ON THE US-TURKEY BUSINESS DIALOGUE

The current trade volume is around \$20 billion, President Trump and President Erdoğan agreed that this should reach up to \$100 billion, which creates motivation for both sides to study opportunities for more focused trade in priority areas. According to Özelli, Turkey and the U.S. have been strong strategic allies for nearly seventy years, adding that the NATO collaboration and the existing \$50 billion of U.S. investments in Turkey are strong pillars of this relationship.

AmCham Turkey pursues its agenda items with regards to the business and investment climate via technical committees and working groups. Public and government affairs, healthcare and life sciences, digital economy, food and agriculture, sustainability, investment environment -are all industries represented by chamber member companies. AmCham intends to build further on the constructive US-Turkey business dialogue in 2020 and beyond. "The key here is to build decisively and innovatively around the positive spark that we have created and ensure that both cultures combine the best of both approaches to yield continuous and joint success," Özelli told.

WOMEN ON BOARD

There are many studies that show that companies have a better financial performance when different perspectives are represented and where male and female representation is equal at all levels. Özelli believes that sustainability, one of the most important issues in the business world, is directly linked to the representation of different perspectives in the boardroom. "This vision brings diversity and inclusiveness with it. In other words, the fact that women are on the board of directors is not a social issue, but an economic issue that directly concerns the future of companies. When our country increases the female labour force participation rate from 30% to 63%, which is the OECD average, it has the potential to increase its GDP by 20% in 2025."

Özelli distinguished some fundamental actions that should be taken to solve the issue of gender inequality: addressing gender equality within the scope of corporate culture, carrying out studies to remove unconscious bias, making measurements differently in performance evaluation, adopting change at the top level first, setting goals and making commitments by sharing with stakeholders. In addition to these changes, Özelli thinks that the more important thing is to accelerate the efforts to attract young female talents to the STEM (Science, Technology, Engineering, and Mathematics) sectors.

AmCham Turkey supports women's empowerment and participation of women in the labour force through its Women Leadership platform. Its Women Executive Mentorship Program, aiming to empower women at mid-senior roles, has reached out to 150 women executives across five years. **F**

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AMBASSADOR OF GLAMOUR

BY MADONA GASANOVA
PHOTOS: KHATUNA KHUTSISHVILI

The Lamborghini name has global acclaim, but it's not only the sports cars that captivate people. A distinctive Italian lifestyle has led Tonino Lamborghini, heir of the Lamborghini family, to establish his own company and produce everything from coffee, eyewear, and watches to clothes; even 5-star hotels. The iconic Italian brand entered the Georgian market in the summer of 2019. High demand for premium coffee and hot chocolate among Georgians was a catalyst for the company's management to expand its business and open coffee shops and a brand restaurant in the central part of Tbilisi.

Forbes Georgia interviewed [Zviad Skhvitaridze](#), General Manager at Tonino Lamborghini Georgia, who discussed the company's strategy, competitive advantages and what is next for the company in Georgia.

"Representing Tonino Lamborghini means to be an ambassador of glamour, luxury, quality and taste," said Skhvitaridze.

According to him, "the Tonino Lamborghini brand is not oriented on quantity but quality. Our products are expensive. We started with coffee, but an energy drink and a premium vodka will be coming soon, as well as coffee shops and a restaurant and a concept store for watches, clothes, and accessories."





THE BIRTH OF THE TONINO LAMBORGHINI PROJECT IN GEORGIA

The idea of bringing Tonino Lamborghini to Georgia was motivated by several reasons. The first was the solid stakeholder engagement, strong connections in the region and worldwide. The stakeholders personally know the family of Lamborghini and Tonino Lamborghini himself. The second factor was the desire to bring distinctive Italian style to Georgia. Many would agree that Italian style, architecture, and culture in general are incredibly unique and full of beauty. Lifestyle, clothes, accessories, HoReCa (Hotels, Restaurants & Catering) and products of this country are of high quality. Last but not least was Georgians' love of coffee, clothes, and a glamorous lifestyle, which served as one of the key points for bringing Tonino Lamborghini to Georgia.

TONINO'S OWN ENTREPRENEURIAL WORLD

The Tonino Lamborghini company was founded in Italy in 1981 by Mr. Tonino Lamborghini, heir of the Lamborghini family. Today the company's headquarters are in the magnificent Palazzo del Vignola, a Renaissance villa just outside Bologna's city walls. Mr. Lamborghini took inspiration from his family heritage and his vast experience in mechanical and automotive engineering to develop a lifestyle experience brand with a range of luxury products, including: watches, eyewear, smartphones, perfume, furniture, clothing, sports accessories, signature beverages, 5-star boutique hotels, lounges and restaurants. By staying true to the tradition and heritage of the Lamborghini family, Tonino Lamborghini's company seeks to promote distinctive Italian style and taste.

COFFEE FIRST!

Tonino Lamborghini Georgia started with importing coffee only to test the market. It proved to be successful; since the high quality and amazing aroma made this coffee extraordinarily successful in Georgia. So far, the company has managed to enter fifty different premium class companies and outlets in the country.

Tonino Lamborghini Georgia already has a wide

variety of coffee and hot chocolate. The company provides red and black blends in 1kg premium packages: Red Blend - a blend of Arabica from Central America and Brazil with a touch of Robusta. Gently balanced, it combines an intense body with an elegant hint of cocoa, clearly recognizable also in its persistent aftertaste. Black blend is also available - Alta Mogiana Arabica and high-quality Robusta come together to create an amazingly easy to work with espresso and an extremely consistent cup result. A full-bodied blend, the taste hints of toasted bread, while in the aftertaste there are hints of bitter cocoa and spices.

Cans of 250grams are also available in both bean and ground options - a superb blend of Arabica's from Brazil, Colombia, Costa Rica and Robusta from Indonesia and Brazil; with a full body, great aroma and a velvety cream to prepare an excellent Espresso coffee at home.

Nespresso compatible capsules and coffee pods, classic and Amareto blended hot chocolate are all available as well. An energy drink and premium vodka is on its way.

The Tonino Lamborghini brand oozes luxury and high-class. Consequently, the company does not sell just a product, they sell a lifestyle. The retail price of readymade coffee at Tonino Lamborghini Georgia Coffee Shops will be extremely competitive, but coffee beans and ground coffee will be at a premium. "You pay for what you get."

A year from now, the management of the company is convinced that all the products of the brand that will be offered to Georgians will fly off the shelves, as they are based on high quality and glamour.

WHAT MAKES TONINO LAMBORGHINI COFFEE SPECIAL

Life is better with Coffee but much better with high quality premium coffee. Tonino Lamborghini coffee is not just a coffee, it is a lifestyle. "It is especially important how well you start your day," says Skhvitaridze, adding that "a boost of great tasting coffee is essential". Like most Georgians, Skhvitaridze himself drinks coffee several times a day. "Having a coffee before starting a meal is a unique cultural habit in Georgia, which makes coffee even



more attractive and in demand.”

Tonino Lamborghini pours all his history into a cup of excellent Espresso. The Italian high-quality style embraces the natural tendency for perfection of the brand. The meticulous selection of green coffee beans, the sophisticated phases of production, roasting, the warehouse and the strict manufacturing inspections create very high-quality blends, which can satisfy the most expert and demanding palates.

THE UNIQUE LEITMOTIF BEHIND THE PRODUCTS OF TONINO LAMBORGHINI

For around forty years, Tonino Lamborghini has been interpreting Italian style while still remaining

loyal to the culture and insatiable sense of challenge of the Lamborghini family. Almost all products are inspired by the luxury sports cars’ designs, from the unique shape to the specific choice of colours and materials.

The history and cultural heritage of Tonino Lamborghini’s family merges with its passion for contemporary art, antiques, and industrial design to give life to the brand’s unique and original style that reflects its strong sense of aesthetics. Tonino Lamborghini ideates its products through a perfect synergy between the family’s passion for mechanics and art from which the brand inherits its unmistakable Italian design deeply inspired by Lamborghini’s DNA.

By staying true to the tradition and heritage of the Lamborghini family, Tonino Lamborghini



seeks to promote distinctive Italian style and taste. Uncompromising spirit, Italian ingenuity, and design - together with the talent of a brand recognized throughout the globe as a beacon of luxury, exclusivity, and Italian flair - are the values of the Tonino Lamborghini brand. The company's vision is to bring the passion and spirit of Italy to the global market with unique and distinctive products, inspired by Italian industrial design and the Lamborghini family mechanical heritage.

FINDING THE RIGHT PARTNERS

Tonino Lamborghini Georgia already has strong partners; such as the Sheraton Grand Tbilisi Metechi Palace, which is an iconic hotel not only for Georgia but also for the whole region as it was the first five

star hotel in the Caucasus. The Company is represented in more than fifty outlets, including the Hotel Ambassador chain, the restaurant chain Chveni, Coca-Cola, and Terminal office space. Premium and high-quality service is the main criteria for Tonino Lamborghini Georgia when selecting a partner.

COVID-19 IMPACT

Luxury brands are about lifestyle, elegance, vitality, creativity, and beauty - all of which is exceedingly rare, therefore, it is always in high demand. Meanwhile, the global pandemic has had serious impact on the sales of Tonino Lamborghini Georgia, which dropped over 65-70%, since the company is mostly present in the HoReCa sector and this was the industry that suffered most during the pandemic.

This downturn lasted around three months, when all hotels, restaurants, and cafes were forced to close. However, sales were restored as soon as the restrictions over HoReCa were lifted. Of course, the company did not return to pre-pandemic volumes, but Tonino Lamborghini Georgia is still observing a positive trend in terms of sales; everything seems quite promising for the management. Skhvitardze expects that it will take a year to return to the sales volumes they had before the Coronavirus crisis. For now, the company will be more focused on the corporate segment, large Georgian and foreign companies that also consume large amounts of high-quality coffee.

Tonino Lamborghini has a history and experience of more than one hundred years, consequently it has extraordinarily strong brand equity and this stimulates the team in the Georgian office to expand further.

Skhvitardze believes that the products offered by Tonino Lamborghini have always been and will remain in high demand. Since the company is not mass-produced and is focused on a particular segment that chooses luxury lifestyle, its team remains optimistic about the future of their business.

SIMILARITIES AND DIFFERENCES BETWEEN THE COVID-19 CRISIS AND THE GFC

From Skhvitardze's standpoint, the main difference of Covid-19 and the global financial crisis (GFC) is that it paused the activities of the whole global economy. "SMEs are the first that suffered the most during the pandemic. An advantage of a large business is that they have an opportunity to diversify their operations and carry less impact. Unfortunately, SMEs do not have the same prospect." While recalling the GFC of 2008, which was also added to

by the intervention of Russian forces in Georgia, Skhvitardze points that Georgia managed to receive a huge amount of international financial assistance at that time. So, the current situation is radically different today. He thinks that the existing crisis will not be overcome so simply. It requires additional government action and the proper policy. "We have not faced the present fluctuation of Georgian Lari for the last twenty years. The situation is made worse by the inflation, which directly impacts the prices and

the volume of sales. So far, we are having a plethora of challenges."

Skhvitardze frequently makes site visits, so as to observe the economic conditions for himself.

The most alarming thing for him is seeing places for rent or sale. He concludes that it is an obvious sign that small and medium businesses are closing, and unfortunately, this trend will continue. He thinks that Georgian economy will not survive with closed borders.

Skhvitardze, who was involved in various businesses in Georgia for more than twenty years, thinks that the crisis management that businesses used during the 2008 crisis is not suitable today, as we never faced a total lockdown. He labels the current operation of businesses as fire fighting. All the business plans that used to be scheduled for a year are now only valid for one week. A long-term crisis mitigation plan does not exist. So, for him, this chaotic condition is the exact radical difference between the pandemic and the GFC.


FUTURE PLANS

Tonino Lamborghini Georgia has long-standing plans to expand its business and build five coffee shops in central parts of the city, as well as to launch an operation of fully fledged premium class restaurants under the Tonino Lamborghini brand. The company also plans to open a concept store for clothes, watches, and accessories in Tbilisi. All this will enable the company to employ more people.

MARKET EXPANSION

Skhvitardze describes Georgian consumers as very demanding and lovers of glamour, with good taste, and a sense of style. Therefore, he thinks that if you manage to be successful in the Georgian market, then you can easily open doors in other countries in the region. "We have ambition to be successful and we will be," he said.

DIGITAL PLATFORM

Tonino Lamborghini Georgia will use the digital platform www.beverage.ge. But in general, as the company's products are premium and high quality, they will not be massively available. B2B sales will remain key. 

The Investor

A serial entrepreneur and an investor, an adviser for multiple tech start-ups in Israel and France, Dominique Romano is the founder of GUIBOR holding company, which specializes in brokerage services as well as mergers and acquisitions. Real estate makes up a significant part of his investment portfolio together with equity investments in start-ups.

Dominique Romano has been investing in Georgia since 2018 - mainly in the hospitality and real estate sectors. Despite the Covid-19 pandemic, he is motivated to grow his portfolio in the country and he overcame many difficulties to travel to Georgia to visit the locations of two new investments. One relating to the old cinema building in Tbilisi and the other in Kutaisi near the international airport.

In just 48 hours, Romano toured Georgia to see his existing investments, to explore new investment opportunities and he also sat down with Forbes Georgia for an exclusive interview.

BY ELENE KVANCHILASHVILI

Let's start with a short profile of your business in Georgia and beyond.

To put it simply, I have a holding company in France that is a family business. I invest in private equity; in the hotel and hospitality space, as well as in real estate mainly in France, Israel, Spain, and Georgia.

Why Georgia?

I travel all around the world and I visit many countries, and to be honest, there are not many countries like Georgia. I chose Georgia a few years ago because I fell in love with your country, with your people, and lastly this is one of the very rare countries in the world where you have four million people living here and nine million coming as tourists. That's double the population coming from tourism. When you are on the street, you don't feel any danger - whereas you get this feeling in many western countries nowadays, including France. When you go to get a document or deal with the government, people are very efficient; most of the people in politics are young and they receive you well. So, it's an open country where you don't feel threatened, you can see a fast rise in businesses and there is a much more open-minded approach than in Europe. It's in the middle of Europe and Asia - you are at the crossroads of many customs and cultures; this mix of civilizations

makes Georgians fascinating, and for a French guy like me, the country is a very interesting place to invest.

It is safe to say that you agree with the World Bank that it is easy to do business in Georgia?

Georgia is an extremely easy place to do business. You know, it's easier to do business in Georgia for me than in France. Here it's very efficient and amazingly fast!

Is this the reason why you decided to invest in the country despite Covid-19?

There are a few reasons. I'm what we call in investment - adverse market. So, I don't go where everybody goes. Now everybody is disinvesting or waiting because of fear caused by the pandemic, which one can understand, but I want to go against that approach. First, it's my character and my way of doing things; second - the best time to do business is when nobody wants to do business. Third, even if I didn't go to medical school, I come from a very science-orientated family, I'm not afraid of science, and I believe in science. So, I know that in the next six to twenty-four months, which is not a long time in life, we will have some kind of a scientific solution. In short, I'm not afraid of Coronavirus.



Where do you see the potential for growth?

Tourism is the fastest growing sector in Georgia, that's why I invest in hotels and hospitality. Having said that, I think there is potential in technology and even in other start-ups. I hadn't heard until now the amazing things Georgian tech start-ups are doing, and I'm very sure that there are more good people here who can do the same. I have not done it yet, but I am very open to investing in this area and I would say to all the readers that they should consider the potential of interesting start-up projects in the technology space. Also, Georgia has a strong tradition in agriculture, and I'm looking for new ideas here. Lastly, there are opportunities in energy - there is a lot of water in the Caucasus and electricity hydropower plants can be built to use this, then move onto harnessing wind and solar energy. I am willing to invest in those sectors; I think these are going to be exceptionally good in the next 5-7 years.

Now we are seeing that economic growth has slowed down, is it an impediment to your investment plans?

Well, obviously yes. But again, I'm market adverse. There is a saying in French, "You buy when you hear bombs, and you sell when you hear violins." Basically, it means that when everybody's happy, it's better to sell. And when everybody's unhappy, it's better to buy. I know that it's going to be tough in the next few years but I'm sure that your country will be one of those countries that can grow quickly after the crisis.

What makes you say that?

Simply because this country has huge potential; people in your country are workers, not talkers; they are people that act. When I analyse what I have done here business-wise with partners, banks, the government and other organisations - I have always gotten good answers, fast answers, and efficient answers. As a result, if I had to invest in any country out of the two hundred countries all over the world, I would still have chosen Georgia.

Is that also experience speaking because you have been investing in Georgia since 2018 - how has the business environment evolved since then?

Even over the past two years, there have been lots of changes. I'm not talking politics. I'm not involved in politics at all, and I don't even know what is going on there.

We are talking business here...

When I began investing in Georgia, I was talking to some friends in America, in Israel and in France - they all asked- "Georgia? Where is it on a map? Why did you choose this country?" The same questions you asked me. But over the past two years, I think that Georgia has engaged in a very good marketing campaign all over the world, because now

we see news about your country in European newspapers; many journalists have come and visited; tourists have started to speak about Georgian hospitality. You have very nice ski resorts, you have a beautiful place on the Black Sea and I think that this communication made your country more known globally and this attracts new investors. I can feel that I'm not the only one here nowadays.

You are making it sound like some kind of business paradise on earth. Extremely glad to hear it but it can't be that easy.... Are there some challenges at least?

To be very honest, there are many challenges. There are always challenges in business because there is always a surprise that you can't foresee - like Covid-19. There is one thing that was very tough for me especially at the beginning. This is the old reputation of corruption in the country. 70% of what I'm doing in this country is all by myself, though about one third is through a fund called Kinor Investments that I created with my friend and partner Georges Cohen and we invest in real estate. When we marketed that we wanted to invest in Georgia - people looked at us with a lot of discomfort. They know me, they know I'm crazy but not insane, and so if I'm investing there must be a reason. Still I had to give an explanation - it's not like I'm investing in Spain or Italy or in America - where they just sign the paper regardless of my strategy. Here there is my strategy plus my belief in the country itself, and presenting the reasons behind the belief in the country itself at the beginning was tough because the reputation of the country was not that good. This was the image of the country twenty years ago but now Georgia's image is completely clean. That's why I said that over the past two years there's been an evolution because the government have communicated a lot and through tourism the image of a growing industrial, agricultural, and clever country is being built.

What are your plans now? Do you already have specific projects in mind?

I have many projects in Georgia already underway, but I have three for the near future that are remarkably interesting. First, I bought a Historical Cinema Pavilion in Tbilisi on Agmashenebeli street, a huge place - it was the first cinema studio in your country. I am very happy to have a historical building that I will respect, and I will use the history of the building. I cannot tell you too many details, as we are still in the planning stage. What I know is that I will keep the historical building, probably open a fancy restaurant, there will be a space for conventions, a hotel, a co-working space and some residential blocks. It will be kind of a small town in the middle of the town, which of course is a very interesting project, and I think it will be famous worldwide if we do something original. I want something disruptive. So, I'm looking for ideas.

The second one is in Batumi, in an old part of this Black sea city,



where we have bought a beautiful historical building which we are going to reconstruct and give new life to this architectural gem.

The third project is vastly different. The second airport of Georgia is Kutaisi - the airport is growing, the region is growing (I'm talking post-Coronavirus), and in the airport area there is nothing but the airport. We decided to buy a huge plot of land in front of the airport where we will build a big mall, some logistic spaces, and hotels - so we will make life grow around the airport, currently in the middle of nowhere. It's desirable because from this location you can go skiing, you can go to Batumi and to many other places. The project will give people who don't have such a big budget access to your country. Around the airport, life must grow and we will make it happen!

So, you have long-term plans to do business in Georgia...

Yes! I think that if you come to this country, you have to believe in mid to long term investment. At least 50% of what I'm doing is real estate where you have to have a long term vision. And that's an answer to dealing with Coronavirus, as well as being my approach to life in general and in business. Let's take the Kutaisi project, for example, I have to do tenders for architects and builders, I have to build it and then open it - even if I am the fastest in the world and even if Georgian workers are the best in the world - this will be completed in thirty months. In thirty months, everybody knows Covid-19 will be gone. So,

I just look at the road, I don't spend too much time looking at what is going on around me.

Since you mentioned Georgian workers, is it easy to find skilled employees here?

Until now, for any question or problem that I have had, I have found it easy. And honestly, I have encountered only good workers. I have never had any problems with that. I am mainly talking about real estate, marketing, sales, and development. I'm not talking about private equity and in start-ups. At least for what I'm doing, I have had no problems.

Do you have any advice to those who want to open a business in Georgia?

Believe in the country, believe in yourself, and don't be afraid of what's going on around you. There's always a problem. There's always war or something else going on. And there's always things you encounter that you had never even thought about. I tell Georgian people what I tell my children: There are always stairs along your way, and people when they see stairs they might not want to go up because they're afraid they might break their legs - perhaps it's more cold upstairs, perhaps it's more warm upstairs - you just don't know. Go up the stairs, make mistakes, and then it will work. F

CEO

HANI HEBASHI

Meet the Man Who is Bringing Foreign Investors to Georgia

Hani Hebashi came to Georgia almost three years ago. The reason was simple, he wanted to explore fresh business prospects in a different country. Since the creation of OTI Holding Group, the investment Mr. Hebashi has attracted to Georgia amounts to hundreds of millions of dollars. He has massive ongoing projects that will come to fruition in the coming years. Mr. Hani Hebashi is an investor, a businessman and a successful CEO from Egypt. Forbes Georgia talks to the man himself.

BY TAMTA JIJAVADZE
PHOTOS: NIKA PANIASHVILI

Mr. Hebashi, first of all, tell us about yourself, how and where did you start your business career?

It all started with my first business in Egypt in 2008 in the field of airport supply. By 2011, I had moved to Saudi Arabia and started a business in the area of social responsibility. Two years later, I started a new business called Social Entrepreneur, a consultancy that promoted the idea of benefitting society when you do business. My time in Saudi Arabia came to an end in 2016, when I moved to Malaysia and built a business in the consulting and investment space. Malaysia is where real estate caught my eye. I organized the biggest conference in the country aimed at bringing in global investment and investors. Several other countries participated - Turkey, Qatar, Saudi Arabia, and Indonesia. The conference focussed on eight key sectors, among them were education, infrastructure, real estate, e-commerce, and communications. In January 2018, I came to Georgia and have been here since.

How and why did you start working and operating in Georgia?

After researching thirteen countries, I found that Georgia was easily the best option because of the low cost of living, extremely low taxation, and the country actively fights corruption. Additionally, Georgia has a high international ranking in terms of safety, ease of doing business, and a low level of corruption. You can also register a business very easily here. What more could one want!

At first, the sensible thing was to do business in areas where I already had experience. That is to say, in the sphere of investment and consultancy, as well as encouraging investors to come to Georgia. After learning more about the country, I found that real estate was one of the biggest sectors and it seemed logical to set up a property business here. In September 2018, OTI Holding Group was established and since being founded, the company works and has partnerships with the biggest real estate companies in the country - such as Archi, Unix, and Terrassa Group. At first, we





worked primarily as a real estate intermediary, we bought and sold property on behalf of foreigners.

You also decided to start a student housing project in Georgia. How did this idea come about?

The student housing idea came about during the Covid-19 crisis. Countless businesses in many sectors had stopped operating. At the time, I picked my brains for a new business idea, thinking perhaps something in food, medicine or a business segment that would not stop due to the pandemic and that would never stop even if there were to be a second or third wave of the virus. I began researching further education in detail and found that from 2016,

the number of foreign students coming to study in Georgia was steadily increasing. Georgia currently has about 12,000 foreign students, but there is no student accommodation that has international certified standards. You can find apartments or hostels, but these are not good from a safety perspective, students lose both time and money renting them.

Mr. Hebashi, your work has involved building student dormitories for years in Malaysia. Tell us about your interests in the field of education and how did you identify that there were problems in this sector?

Yes, it was in Malaysia that I first got involved in this sector. Why education? It is very common to be involved in this realm in Malaysia. But, here in Georgia, I think that the market really needs this project.

“Student House” will be the first multifunctional residential complexes in Georgia across five locations in the cities of Tbilisi and Batumi. What stage is the project at? When do you plan to receive the first students?

The project is in an active phase and construction has already begun. The first campus will be ready to receive students for the 2021 spring semester. Not long to go!

What is your investment in this project?

\$160 million, but this figure does not just represent ‘Student House’, we have numerous other projects too. According to statistics, student housing is in the top five most attractive sectors for investment worldwide; where investors get a return of 4.5-7%, but in Georgia we decided to offer investors up to 10%.

There are many universities in Tbilisi and Batumi. What kind of cooperation exists between OTI Holding Group and educational institutions?

We have several partnerships already in place. The universities are pleased with our project and they are ready to cooperate with us because this is an essential project for them as well. They support our idea and we already have some proposals from them.

How many students can be housed in your residential complexes?

The campuses plan to serve about 5,000 students in total across five locations.

Thousands of foreign students study in Georgia. Will these residential complexes be mainly designed for them?

Yes, there are many foreign students studying in Georgia,

and there are also 150,000 local students. These complexes are designed for all students; it does not matter if they are foreign or local. In my personal opinion, more residents will be Georgian rather than foreign.

How affordable will it be for Georgian students?

Our team has been working extremely hard to make the price affordable for both Georgian and foreign students alike.

What makes 'Student House' unique as a project?

In order to make the Georgian education system more attractive, it is vital to have student accommodation with international standards - like 'Student House'. Having said this, it is very important to note that 'Student House' is not conceptually just a living space; it is those additional opportunities that make it unique and attractive for both investors and students.

The complexes are being developed by TBG Group and OTI Holding Group. What are the main activities of your company in Georgia?

The activities are mostly concentrated on real estate. But OTI Holding Group does provide investors with consulting services and encourages foreigners to come to this country to invest in the economy. It should also be noted that our consulting is not only in the real estate sector, but also in other fields too.

OTI Holding Group's offering includes providing business services to investors. What exactly do you offer them?

We help investors to start and manage businesses in all kinds of different industries, for example, in agriculture or hydropower, even in metal production.

Furthermore, our team of licensed brokerage service professionals are dedicated strategic real estate specialists. These are people with experience and a track record of success, who are committed to providing you with specific and informed market intelligence.

Also, OTI Holding Group has an investment service, which handles financial assets and other investments not only in terms of buying and selling. For example, real estate management, which offers management services for real estate of all types. It helps secure and increase both property income and value. OTI Holding Group also offer construction and development - creating and building residential neighbourhoods, custom-built homes, and commercial hubs.

How many investors and how much investment have you brought here from abroad?

Since 2018, more than 500 investors who have invested \$500,000,000 into Georgia and the Georgian economy.

Where are those investors mostly from?

Mostly they come from Arab countries because there are obvious cultural ties and it is easier having had experience in the past with them. It is pertinent to also note that some investors have been from the U.S. and Europe.

How would you assess the business environment in Georgia? What needs to improve to attract more foreign investors?

I feel comfortable when communicating with the government. Everything is clear. Everything works according to the rules in our case, which is the main reason why I initially chose Georgia as a country to do business in. You can register a company here in 20 minutes, which is impossible where I come from! In Arab countries registering a company takes around 3-4 months.


What are your plans in Georgia? Are you going to invest in any other directions?

The plans for Georgia are ambitious: to become one of the top five biggest investors in the country. That is why it is essential to concentrate not only on real estate. OTI Holding Group's aim is not only to make profit, but also to help the country to develop. When investors come here and spend money, it benefits Georgia.

We do have a number of real estate projects in the pipeline, as well as some in the education realm and in the tourism sector too. A resort in Asureti - a German village in Georgia - will be built. There is a big plot of land here and it made sense to use the space to build a resort. This resort will have a distinctive concept and it will be unique in this country. I cannot tell you too many details now, as it is a secret. But what you can know is that we will have twelve unique features. This project is ongoing, and some construction work has been done.

In addition, there is a project in Rustavi, which will be a complex of villas. The designs are done and construction will start in December 2020. As for investment, the Asureti project will cost \$12 million, and the Rustavi project will cost a maximum of \$3.5 million.

And my last question is about CSR. You have quite a lot of experience in this. What does OTI Holding Group do in terms of corporate social responsibility in Georgia?

Our company permanently financially supports projects aimed at promoting a healthy lifestyle, especially among young people. OTI Holding Group also funds the Judo Federation and helps young athletes with their career development. 



საქართველოს ბანკი



NEW CALCULATIONS

What has changed for the bank that serves 2.5 million customers and employs 7,500 people in Georgia because of the COVID-19 pandemic? **Zurab Kokosadze** and **Zurab Masurashvili** have the answer.

AUTHOR: ELENE KVANCHILASHVILI

PHOTO: KHATUNAKHUTSISHVILI





he year 2020 will go down in history. COVID-19 found its way into nearly every country, infecting 19 million people, and killing more than 697,000 at the time of writing this article. Furthermore, everyone agrees that we are fighting both a health crisis and an economic one.

In order to contain the spread of the virus, most countries temporarily shut down their economies: a few months ago, only food and health-related businesses were fully operational. Today it is difficult to tally up the numbers, but it is safe to say that trillions of dollars have been lost globally. Based on OECD calculations, developing countries will lose \$700 billion in external cash flows this year, exceeding the post-2008 global financial crisis figure by 60%.

Currently, it is particularly difficult for businesses to achieve growth and success. Not one, but all parameters are changing: the approach towards conducting business, consumer expectations, and society itself. Businesses are finding themselves under immense pressure to change their structure and strategy in a way that would allow everyone to adapt to these new demands, and all of this at a time when foresight is limited and the number of questions far exceeds answers. In such an unclear and unstable environment, a modern company must be more task-oriented, more innovative, and more adaptable. This is the only way to fight uncertainty and seize opportunities.

The financial system has an uncertain role in the current reality. On the one hand, it has also been hit, as it has lent funds to businesses that are struggling and may at some point be unable to repay loans. Additionally, the COVID-19 pandemic has added a feeling of general uncertainty that renders the financial sector as vulnerable as other businesses. On the other hand, access to capital has become priceless, as has expert advice with regards to decision-making around investment, which enables effective use of resources and achieving the best results possible even in such unprecedentedly difficult times.

The Bank of Georgia mission statement is even more relevant today than it was at the time it was

written. "Our mission is to help people realise their potential," states the bank that serves more than 2.5 million customers and employs 7,500 people.

Forbes Georgia asked Bank of Georgia about the main challenges presented by the pandemic, and the ways of resolving those challenges.

The corporate banking department of Bank of Georgia currently serves more than 3,000 clients. "An event of this magnitude was bound to affect our customers. I do not believe that any industry has remained unaffected," states the Head of Corporate Banking of Bank of Georgia, Zurab Kokosadze.

Tourism is the industry that has suffered most. This is the case in Georgia and across the world. Galt & Taggart calculates that revenues from tourism will decrease by 64% in Georgia this year. "This affects not only hotels, but also restaurants, transport and all other services that support tourism in Georgia. The industry's revenue accounts for around 20% of the Georgian economy," Mr. Kokosadze states.

The Head of Corporate Banking at Bank of Georgia currently views finding the right formula for the client to adapt to the changed reality as the main challenge. This is further made difficult by the fact that one solution will not fit everyone. However, Zurab Kokosadze has spent his whole career at Bank of Georgia and knows exactly what enables this organisation to withstand any crisis, even an unprecedented one - it is constant communication with the client: "The more information we share with each other, and the more we listen to each other's ideas, the easier it will be for us to find the right solutions. We have never had to deal with an event of this magnitude, so we need to support one another."

According to Mr. Kokosadze, Bank of Georgia's aim to be a supplier of advice and expertise, together with capital and credit, is most valuable for corporate clients today. "We immediately stood out through this approach, which was then copied by our competitors. A relationship like this with the client is ultimately extremely useful for development of the industry as a whole," states Mr. Kokosadze, adding that the division by sector of the various fields of communication has not been random: "This makes dialogue with us easier."

"Nevertheless, the pandemic did affect this simplicity. We had to change our form of communication



Zurab Kokosadze



Zurab Masurashvili

with the client, using digital channels instead of face-to-face meetings. To be honest, the lack of physical contact initially made things difficult, and it took a while to resolve certain issues. However, all of this became normal with time. The culture of remote meetings could be here to stay, as it can save time and raise efficiency. Overall, this crisis will change many details such as this," explains Mr. Kokosadze.

Demand for consultancy services is particularly high at the moment - something that the Corporate Banking Department of Bank of Georgia is well aware of. "Most of our time and effort currently goes into this field," confirms Zurab Kokosadze, reiterating that situational analysis, identifying investment areas and selecting the financing structure is done jointly: "Today it is important for businesses to have a trustworthy and experienced partner with whom they can discuss ideas and look for ways of implementing these ideas correctly and with minimal risk."

If tourism is the branch of the economy that was worst-affected by the pandemic, small and medium-sized enterprises (SMEs) took the biggest hit out of all business segments. According to the International Trade Centre's SME Competitiveness Outlook 2020, disruptions

cash desks, as well as the sharing of knowledge and experience with businesses, such as online conferences: "We have already organised 19 online conferences that were attended by around 2,000 people. We would have never managed to involve so many individuals through physical conferences and seminars. Imagine how valuable it is to be able to communicate information to such a large audience," explains Mr. Masurashvili.

The Head of SME Business Banking believes that Georgia lacks new innovative business tools. This is a persistent challenge that has become even more apparent during the pandemic. "We are trying to implement tools that will create demand," states Mr. Masurashvili, providing specific examples in the shape of the current account business card that has quickly become very popular, POS terminals, as well as combined POS terminals and cash machines that allow a cashier to work from a single device. Bank of Georgia has numerous such examples, including those that required a change in customer behaviour, and therefore, took a while to become popular, but now significantly facilitate business activities.

Forbes Georgia was also interested to hear about the post-pandemic

“One thing that we can be sure about during these times of uncertainty is that digitalisation is an irreversible trend. In this regard, Bank of Georgia is already well ahead.”

in supply chains will cost the segment a total of \$126 billion in losses globally. The Georgian Chamber of Commerce and Industry research showed that the main challenges for the domestic SME sector are as follows: cancellation and reduction in the number of orders; sales, including exports; cancellation of bookings; significant increase in the price of raw materials; unstable foreign exchange rates; and higher rent.

Bank of Georgia covers approximately 37% of the domestic SME market. This is a portfolio that is worth 3 billion and includes 100,000 businesses. "The main question today is whether these businesses can survive the pandemic and resume their operations," states the Head of SME Business Banking Zurab Masurashvili. He views the speeding up of digitalisation as the most significant effect of the COVID-19 pandemic. "Around 96% of transactions at Bank of Georgia were already conducted digitally before the pandemic. This figure has now increased to 98%, which is an excellent result," states Mr. Masurashvili.

Digitalisation covers cash transactions, including the network of 24-hour terminals (so-called 'pay boxes') where customers can deposit large amounts of money without having to use traditional

reality and the opportunities that it may bring. According to Zurab Kokosadze, Bank of Georgia will stand behind their clients in this regard too. "We do not claim to know how to do business better than the business owners themselves. Our clients are highly successful individuals who know their businesses perfectly. Our role can only be to create a healthy debate to determine the right structure and the right project that should receive funding. That is how we aim to complement our traditional function of providing access to loans and capital."

Zurab Masurashvili states that it is still difficult to foresee opportunities, as we do not know how events will develop. However, "one positive effect of the pandemic has been the rapid transformation that many businesses underwent, learning how to adapt their business models, how to move sales online, how to manage digital content and how to facilitate online operations. All of this will help businesses adapt quickly in the future, whenever needed."

We remain hopeful that by the time the next issue of Forbes Georgia comes out, the election will be our only worry. One thing that we can be sure about during these times of uncertainty is that digitalisation is an irreversible trend. In this regard, Bank of Georgia is already well ahead. **S**

BACK ON TRACK

Against the backdrop of the pandemic, local and international analysts have suggested that Georgia could use the new reality to establish itself as a regional logistics hub. This is mainly due to the changes in supply chains, with many large companies determined to diversify away from China, which may open new possibilities for Georgia. A lot of improvements will have to be made along the way, but according to the Georgian government, it is already in talks with over 400 large companies that have shown a serious interest in tapping into Georgia's potential. Georgian Railway is set to play a central role in this process. Forbes Georgia was interested to find out what effect the pandemic had on the organisation, and what its key figures look like. The Georgian Railway CEO, **Davit Peradze**, answered our questions.

AUTHOR: ANITA MUSKERIA
PHOTOS: KHATUNA KHUTSISHVILI



Can you take us through Georgian Railway's key figures?

Based on 2019 figures, we have around 13,000 employees and 30,000 people for whom we are socially responsible. Our total salary budget was €180 million and we paid around €54 million in taxes in 2019. We transported more than 3 million passengers and 10.9 million tonnes of cargo. Total revenue was €503.7 million. The volume of container cargo from China was 1,239 TEU (a 34% increase from the previous year), and the volume of container cargo from other countries was 33,195 TEU (a 10% increase year on year). The volume of cargo transported on the Baku-Tbilisi-Kars line was 5,474 TEU (a 161% increase from the previous year), and the volume of dry cargo was 3.4 million tonnes (a 13% increase year on year). These are the latest figures available for Georgian Railway.

To what extent does Georgian Railway contribute towards the country's economic development and growth?



First of all, we are significantly contributing towards the Georgian economy as a major taxpayer. Due to its geostrategic location, Georgia has the potential to become a major logistics hub. We are working towards maximising the country's transit potential by initiating and implementing projects such as organising regular feeder vessel traffic in the Caspian Sea and the Black Sea.

What impact has the COVID-19 pandemic had on your operations?

Naturally, the pandemic has affected every-

one's life and business activities, Georgian Railway is no exception. Our organisation has great strategic importance for Georgia. Ensuring the smooth and orderly operation of Georgian Railway is, therefore, vital for the country's economy. The safety of our employees was our priority. As a result, we devised appropriate internal regulations and adapted our resources to the new reality during the early stages of the pandemic.

As you know, passenger traffic ceased for several months during lockdown. Nevertheless, demand for passenger transport remained high, so we reactivated five routes as soon as restric-

tions were lifted. At the same time, the Ministry of Health helped us devise certain regulations that must be followed by staff and passengers alike. To ensure physical distancing, we have placed greater emphasis on the sale of electronic tickets.

I must point out that our passengers have been following the new guidelines impeccably. Until the borders are reopened, domestic tourism plays a particularly important role in the country's economy. We are ready to play our part in supporting domestic tourism, and to this end, we have not increased our fares. We have also managed to maintain growth in cargo transport during the first five months of 2020, although we realise that the pandemic will ultimately affect our figures too.

What are the main challenges in this regard, and how do you intend to deal with them?

The pandemic has affected supply and demand on the global market, particularly in East Asia. Businesses have shut down; borders have closed, and direct communication has become impossible. Nevertheless, Georgian Railway has retained its cargo contracts, and has not stopped operating even for a single day. This is largely because we adjusted to the cargo owners' needs and did everything in our power to ensure a smooth operation.

Have you identified any new opportunities that our country could take advantage of?

First of all, the pandemic showed us that administrative resources can be used more effectively. Like all other businesses, Georgian Railway began working remotely in order to continue operating without interruption. Furthermore, we have been working closely with ports to maintain regular maritime and railway cargo traffic. Georgian Railway can transport more goods by involving less people compared to road transport, which is an additional advantage during the pandemic. More specifically, a train driver can perform the job of 110 truck drivers in terms of the volume of transported goods. All of this has created an opportunity for cargo owners to safely redirect their goods from road to railway and have them transported smoothly and at competitive rates to Azerbaijan, Central Asia and Armenia.

What is the most frequently asked question with regards to Georgian Railway?

The most frequently asked questions concern the reduced flow of goods over the years, as well as our financial losses. However, there are objective reasons for both these factors: the volume of goods fell largely because of oil being transported more effectively through pipelines instead of by rail. There has also been a shift in supply and demand. As for the financial losses, they are mainly related to the Tbilisi bypass project that was started in 2010-2011 and cost CHF 250 million. Apart from the direct costs, this project was also affected by asset devaluation and subsequent loss of revenues. In 2012, Georgian Railway issued bonds worth USD 500 million for funding large infrastructural projects. Our duty to present financial accounts in local currency leads to revaluation of financial liabilities that are denominated in U.S. dollars. Changes in the exchange rate directly affect the value of these liabilities in local currency, and the difference affects profit. Due to the large sums involved, even minor changes in the exchange rate have a significant effect on the company's profits and losses.

Do you measure customer satisfaction in the passenger and freight transportation segments, and what is the overall picture in this regard? Do you believe that our readers would agree with your analysis?

At this stage, we cannot evaluate the 2020 figures, but in 2019 we transported around 3.1 million passengers, which is 7% more than in the previous year. The volume of cargo was approximately 11 million tonnes, representing a 9% increase. These were record figures for the last few years. We managed to maintain growth during the first five months of 2020. We measure customer satisfaction through our results, and as you can see, the results have been steadily improving both in the passenger and freight transportation segments. We are certainly not satisfied with what we have achieved so far and are constantly exploring other areas where we can improve and deliver better value to our customers. To this end, customers can call our 24-hour hotline to provide feedback regarding our

passenger or goods transport operations at any time.

What advantages does Georgian Railway currently offer?

Our main advantage is the sense of stability and trust that we have maintained over many years. We offer safe and time-effective long-distance transport of a large volume of goods at affordable prices. It is also worth noting that rail is the most eco-friendly mode of transport that meets the global challenge of reducing emissions.

What about your main weaknesses?

Our carriage fleet still presents us with a significant challenge, as it requires gradual renewal to ensure that our revenue corresponds to the volume of transported goods.

I also think that it would be beneficial for the state to manage certain port infrastructure and maritime container traffic along with the railways. This would be vitally important during the initial stages of operating a logistics route, as well as to subsequently ensure that the route remains competitive. Georgian Railway currently has to offer customers advantageous terms to balance out the weaknesses in other parts of the logistics service chain, as well as to ensure that using our corridor remains attractive to customers. Although this is not a common global practice among railway companies, I believe that it would be the right thing to do.

As you know, there are numerous private and state operators involved in our specific corridor. Unfortunately for us, not everyone shares the same vision for strategic development of the 'central corridor'. Georgian Railway is a state company, and its current management team is interested not only in financial profit, but also in positioning Georgia as a regional transport hub both domestically and internationally.

I would also add that the presence of many independent players in the transport corridor does not have a positive effect on Georgian Railway.

On a scale of 1 to 10, how would you assess the performance of your company's management

team?

I think we can judge the current management team based on the company's performance in recent years. Despite the global pandemic, Georgian Railway managed to maintain growth in freight transport during the first five months of 2020. The volume of transported goods increased by 330,000 tonnes year on year, while revenue grew by 17 million. The results have improved both in the passenger and freight transportation segments, but I am also aware that the current management team inherited an extensive loan agreement, and coupled with the fact that the full effects of the pandemic are still unknown, I will refrain from issuing top marks to the management at this stage.

During the first quarter of 2020, Georgian Railway transported a total of 2.8 million tonnes of freight, which represents a 10% increase year on year. Nevertheless, the company has made significant losses this year. Based on the financial results for the January-March 2020 period, revenues grew by 23.7% to 122 million. However, due to the significant increased costs, the company posted a loss of 163.5 million for the quarter.

Devaluation of the local currency had a direct effect on the \$500 million in liabilities that the company took on board on 5th July 2012, with the equivalent figure in local currency increasing by approximately 15%. When the exchange rate is stable, devaluation does not create major problems for Georgian Railway, as most revenues are in dollars and natural hedging takes place. However, it takes time for the higher exchange rate to be reflected proportionally in revenue figures.

What are your company's development priorities?

Our priorities are to attract freight from new markets, operate a transparent and competitive pricing policy, offer a time-effective service, and implement new services, along with improving existing ones. With regards to new services, our plans have been affected by the pandemic to a certain extent. Although there were already plans to implement con trailer transportation, this has now become a priority for Georgian Railway. We aim to set up terminals in Batumi and Rustavi very soon, where road

transit cargo will be loaded on con-trailer platforms and transported in both directions. At the same time, we are implementing a modernisation project that represents one of the development priorities for Georgian Railway. This project will allow us to deal with modern-day challenges and increase the capacity of the Georgian railway corridor through higher safety and speed. The pandemic showed us that we are on the right track.

Let us address the much talked about problematic projects of the Tbilisi bypass, the Kutaisi Airport line, and the Anaklia Port line. Why were these projects announced but never completed?

I think it would be wrong to view these three projects through the same prism. The Tbilisi bypass project was initiated in 2010, and I must point out that no feasibility study was conducted. Numerous reputable international companies concluded that this project had a wider urban significance, rather than merely an infrastructure alone. We can talk endlessly about the faults in this project, but it has been shelved and is no longer topical.

Regarding the Kutaisi Airport line, which is designed to help develop local tourism, it is actively ongoing and will be completed within the deadlines set by the Georgian government. As for the port infrastructure in Anaklia and elsewhere, we would welcome any such development, as it will help increase the volume of rail freight transport. I believe that it is in the government's strategic interests to develop port and rail operations alike.

Who are your regional competitors, and how are you performing against them?

The volume of freight and the number of containers transported through the central corridor is growing each year, which makes Georgian Railway increasingly competitive against the alternative international routes. It is important to correctly identify the challenges. The northern corridor avoids using maritime transport and crosses less borders to connect Europe and Asia compared to our corridor. However, we are currently working on integrating operational programmes and creating

a joint document that will enable us to minimise transit time and speed up border crossing.

Having direct access to the Black Sea is advantageous for our corridor. More specifically, the newly established direct ferry and feeder ship routes to Eastern Europe will allow us to increase the flow of goods towards that region. Georgian Railway was directly involved in devising a single tariff for transporting containers and other carriage shipments from Asia to Ukraine, Bulgaria and Romania under a single-window system.

In spite of these advantages, we cannot relax and be content with what we have achieved. Competition in freight transport is very high. For example, the Volga-Don channel provides an alternative route for transporting oil from the Caspian Sea to the Black Sea. However, its resources are limited due to seasonality. The competitive advantages of rail and maritime transportation over each other are based on the factors of time and price.

Does Georgia have the potential to become a regional logistics hub, and who will play the key role in achieving this goal?

I think the role of the state is crucial. Georgia is the only country in the region that has free trade agreements with China, the European Union and United States. Additionally, it has a strategic geopolitical location that links Asia and Europe by sea. Smooth and effective operation of rail transit routes is highly significant for any investor.

Georgian Railway and its management model has often been subject of discussion. What does the company's structure look like, and who are your subsidiary firms, your CEO and your supervisory board accountable to?

Georgian Railway is a joint stock company. The management structure of such a company is determined by Georgian and international laws. The company's directors have curatorial duties in specific areas. Decisions are taken jointly by the board of directors, the supervisory board or the shareholder assembly, based on the importance of the issue. All decisions, including those that concern our subsidiary companies, pass through this hierarchical chain.



With regards to certain issues of national importance, we - as an indirectly state-owned enterprise - are naturally accountable to the Georgian government. It is also important to note that Georgian Railway holds membership / partner status in influential international rail unions such as CER, UIC, ERA and OCJD, and we constantly share experiences and practices. Most importantly, however, we are accountable to the public. All Georgians can learn about the operational activities of Georgian Railway through the company's public financial statements.

With more than 12,000 staff, Georgian Railway is one of the largest employers in the country. However, against the background of the company becoming a large social enterprise that shares the state's social responsibility, how do you see its future as a business? Will Georgian Railway remain a large social enterprise and

employer in the long term?

As I mentioned earlier, Georgian Railway is a state company that operates across the whole country and is aware of its social responsibility towards its employees and their families. At the same time, our challenge is to develop our human capital, which is why we have established a rail transport college to train qualified professional staff.

In your last interview, you spoke about refinancing the company's Eurobonds. With the due date approaching, and the added challenge of dealing with the pandemic, what did the company decide on this issue? Which organisations are you working with, and how are you planning to repay the Eurobonds?

The pandemic has slowed down international capital markets, but they are already bouncing back. Therefore, our refinancing plans for 2021 are still in place. We are working with international banks and

financial institutions, though in order to help develop the local capital market, we are also considering the possibility of involving Georgian banks and financial organisations in this transaction.

The government of Georgia has also decided to involve Georgian Railway in programmes that are designed to support local manufacturing, which includes providing concessionary prices to companies such as Georgian Sugar (Agara processing plant). How happy are you with the results of this initiative? How competitive are the company's pricing policies, and specifically with regards to supporting local manufacturing?

I can only reiterate that Georgian Railway is a state enterprise that frequently shares government policies with regards to supporting the development of local manufacturing. Agara Sugar, Tkibuli Coal and HeidelbergCement are examples of this, but I must point out that supporting local manufacturing has also allowed us to attract additional freight.

tant route, linking Central Asia and the Far East with Europe. I would also highlight the Baku-Tbilisi-Kars line, which provides a rail connection between Europe and Asia via Georgia while bypassing the Black Sea. With regards to recent developments, I would highlight the agreement signed by various state and private companies operating in the regional logistics chain (Georgian Railway, Azerbaijan Railways, Batumi Oil Terminal, Azerbaijan Caspian Shipping Company, Baku International Sea Trade Port and Dubandi Oil Terminal) to devise seasonal tariffs for the Volga-Don canal.

If you were to summarise 2020, what would you regard as your company's greatest achievement?

Our greatest achievement this year has been to maintain positive dynamics in the company figures in spite of the pandemic. We have tried to view the pandemic as an opportunity, revitalising our infrastructure to a degree not done for many years. We have laid 21km of new tracks, renovated 7km

“Despite the global pandemic, Georgian Railway managed to maintain growth in freight transport during the first five months of 2020. The volume of transported goods increased by 330,000 tonnes year on year, while revenue grew by €17 million”.

How do you cooperate and interact with other railway companies in the region? Is the corridor effect beneficial in terms of tariffs, and which routes would you highlight?

Georgian Railway is in constant communication with the region's other railway administrations, as well as ports, terminals and ship operators. Working groups have been established to achieve strategic development in certain areas, and we are working jointly towards enhancing the transit corridor's competitiveness. This cooperation concerns technical issues, pricing policies, communication with potential clients and other areas.

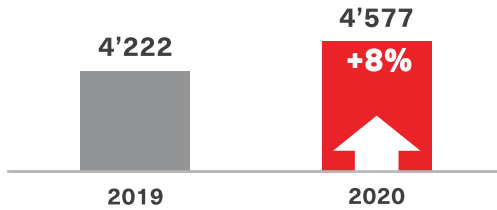
The central corridor is a particularly impor-

of communication network, equipped the main line with new LED lights and thoroughly repaired all heavy equipment that is used for installing and repairing railway infrastructure. As I mentioned earlier, we also speeded up implementation of the con-trailer transport initiative during the pandemic.

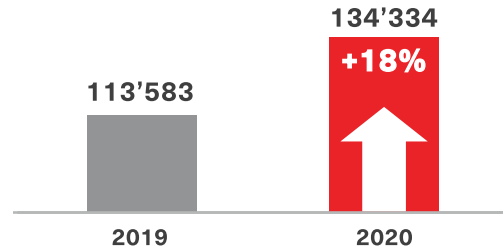
What can passengers and businesses expect from Georgian Railway in 2021?

The COVID-19 pandemic has caused significant changes on the global economic market. Experts are predicting the global economy will shrink by at least 5%. Inevitably, Georgia and Georgian Railway will also be affected, but based on the current figures, we still view 2021 with optimism. **S**

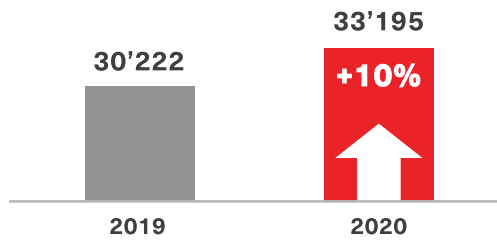
Freight Transportation
(‘000 Ton)



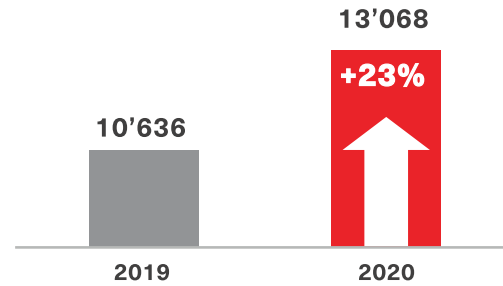
Revenue from Freight Transportation
(‘000 Gel)



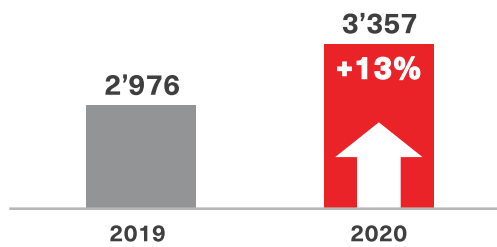
Container Transportation
(TEU)



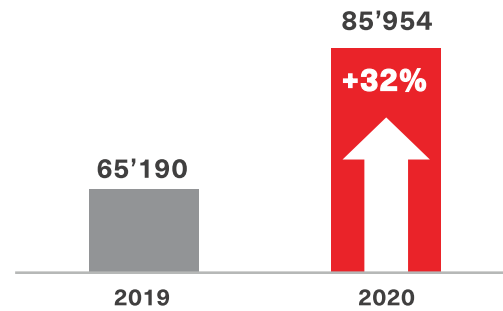
Revenue from Container Transportation
(‘000 Gel)



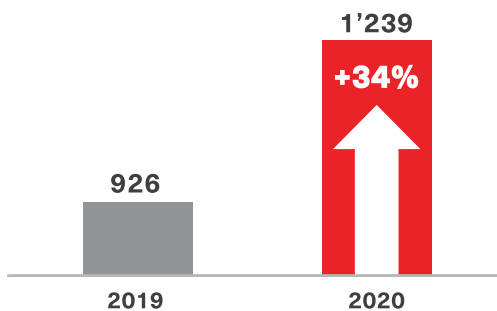
Dry Cargo Transportation
(‘000Ton)



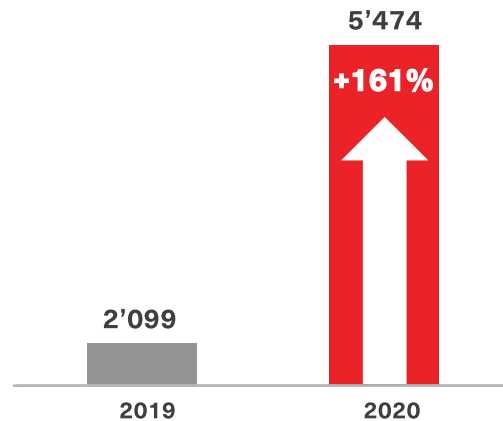
Revenue from Dry Cargo Transportation
(‘000 Gel)



Container transportation from/to
China via Middle Corridor (TEU)



Container Transportation via
Baku-Tbilisi-Kars (TEU)



DIGITAL TRANSFORMATION PIONEERS

Having robust IT infrastructure, solid cyber security and fast digital transformation processes in place has become a priority for almost every organisation in recent months. Orient Logic has been offering technical support to companies in Georgia for more than twenty-five years. Forbes Georgia spoke to the company's CEO, Levan Akhvlediani, and Commercial Director, Giorgi Tuskia, about the effects of the pandemic on the technology sector and Orient Logic's plans for the future.

BY TAMTA JIJAVADZE
PHOTOS: KHATUNA KHUTSISHVILI





Orient Logic has been operating in Georgia for more than two decades. In your view, how has the Georgian IT market changed in this time?

Levan Akhvlediani: Orient Logic started doing business in 1995, when few people in Georgia were concerned with technology. The difficult environment that existed in Georgia at that time did not deter the company founders – four friends with a shared interest in technology of the future. They decided to introduce leading names in the global technology sector to the Georgian market, laying the foundation for the platform that currently brings together over thirty major international brands.

Giorgi Tuskia: At first, our organisation was mainly involved in computer sales. Approximately ten years later, when other priorities began to take shape, the company started offering branded personal computers and IT. As the industry developed, so did our company. Orient Logic now operates in the fields of IT infrastructure, network and telecom solutions, personal systems, software, and information security. By working with the world's leading manufacturers, we help our partner organisations successfully achieve digital transformation.

Who are your customers? Are they large businesses, and do they represent a variety of sectors?

Giorgi Tuskia: Our clients are large and medium-sized businesses operating in Georgia that are seeking digital transformation. We also actively work with state organisations. The education sector is strategically important to us, and we have already implemented numerous significant and successful projects in this field. With regards to the private sector, our portfolio includes major projects carried out at leading financial organisations, as well as for telecommunications, healthcare, and hospitality businesses.

What are the main challenges for Georgian IT firms at the moment?

Levan Akhvlediani: Georgian IT companies have issues with staffing, which is directly related to another problem – the small scale of the economy. Although our organisation is already implementing major projects locally, we would be able to carry out more complex and significant ones if we had more

professionals available to us, which would ultimately have a positive effect on the Georgian economy. We, therefore, decided to establish the Orient Logic Academy for individuals who wish to work in the field of technology. The knowledge and experience obtained at our academy will be incredibly useful and valuable to its graduates both in local and international markets.

The pandemic has caused chaos across the world, affecting virtually every industry. What has changed in the IT sector?

Giorgi Tuskia: The pandemic has further sped up digital transformation. As organisations across the world have switched to working and studying remotely, the role of technology has increased further. It is also worth highlighting the issue of cyber security, which has become particularly important not only to those who operate in the technology sector, but also to the whole world.

Has the pandemic affected your company's activities?

Levan Akhvlediani: In response to the challenges presented to us by the pandemic, we began expanding the Orient Logic team by taking more professionals on board. The current market demand has led to a significant growth in our IT and cyber security operations. To this end, we are actively implementing projects at our partner organisations to ensure continuity and security of their business processes. Furthermore, we have added a DevOps and cloud-native technology sales team to our company, offering our clients modern and innovative software solutions for their digital transformation.

Orient Logic has implemented numerous major projects. Which one of them stands out most?

Levan Akhvlediani: Our portfolio includes many successful projects in almost every industry. I would highlight the projects that we implemented in the education sector, as they are incredibly important for our development as a country. We equipped around 200 public schools with wireless access points and implemented the electronic journal project that helps Georgian public schools conduct modern educational activities to a high standard. I would also like to men-



Giorgi Tuskia



Levan Akhvediani

tion one of this year's largest projects that involved providing full technological equipment to Kutaisi International University. It is great to see that our projects are creating opportunities for future generations to obtain a better education.

We are also currently working on projects at leading financial institutions, telecommunications companies, state agencies and other organisations. Our portfolio includes major international projects such as providing full technical support to the Youth Olympic Games and the NATO Parliamentary Assembly.

Could you provide us with some figures regarding sales and customers?

Giorgi Tuskia: Orient Logic posted its best-ever financial results in 2019. As a result, we started this year with high ambitions, but the pandemic created numerous difficulties for us. Despite the current environment and the shrinking economy, I can confident-

ments are involved in this project, and I think that we have already helped many Georgian organisations with regards to maintaining the continuity of their business activities. We also donated 20,000 to the Covid-19 response fund. Finally, I wish to highlight the charity project that we are conducting jointly with the civil movement Shenmokmedi, providing computers and internet access to large families across Georgia to help them with distance learning during the pandemic.

Are any new investments being planned by your company?

Levan Akhvlediani: Due to the current crisis, it is difficult to talk about new investments, although I can say that our company aims to expand internationally over the next three years. Naturally, this requires additional investment. As soon as we can overcome the current challenges on the local market, we will be ready to increase our investment to establish our-

“We equipped around 200 public schools with wireless access points and implemented the electronic journal project that helps Georgian public schools conduct modern educational activities to a high standard”.

ly say that through our team's dedication we have achieved positive results during the first half of 2020. As for our customers, we are currently working with around 150 partner organisations that are operating in the Georgian market.

Corporate social responsibility has become a major component in the activities of any successful company. What steps are being taken by Orient Logic in this regard?

Giorgi Tuskia: We take our social responsibility very seriously and have already launched numerous projects to this end. One of our most interesting and important CSR projects during the pandemic was to create the SupportIT.ge platform that offers free consultation and support to companies to help them overcome any existing challenges. All our depart-

ments on the international market. Our ultimate goal is to become an international technology company with its head office in Georgia.

Finally, we often hear that Georgia has great potential with regards to technology and exporting technical skills. What are your thoughts on this issue?

Levan Akhvlediani: Georgia definitely has a lot of potential in this field. That is why we opened a new branch in Sweden a couple of years ago. I think the DevOps segment has great potential regarding the export of technical skills. Here we can export services that are created in Georgia based on European and Asian vendor platforms. We have major plans for this, and soon I hope that we will be able to launch many successful projects internationally. 



FACING THE NEW REALITY

According to a World Tourism Organisation report, the COVID-19 outbreak and the subsequently imposed lockdowns have cost global tourism \$320 billion in the five months between January and May. The hospitality sector has suffered significantly because of the pandemic. Empty conference halls, lack of bookings and an uncertain future – that is the new reality for the Sheraton Grand Tbilisi Metechi Palace. General Manager **Fred Smits** spoke to Forbes Georgia about the existing situation and his expectations for the future.

AUTHOR: ELENE CHOMAKHIDZE

PHOTOS: NIKA PANIASHVILI

Research conducted by TBC Capital in July this year found that the average future occupancy rate in Tbilisi's large hotels was 4%. What is the situation like at your hotel with regards to occupancy and bookings?

The sad reality is that there are no tourists. We only have a certain amount of business-related bookings. Looking at other large hotels in Tbilisi, it is clear that occupancy rates are extremely low. The situation is different outside the capital, which stems from the local tradition of spending the summer holidays in various regions around the country. We, as managers of large hotels in Tbilisi, must face reality. As for my expectations, I believe that there will be slight improvement in September and October when people will start visiting Georgia for business.

Regarding the challenges facing the tourism sector in 2020, a Galt & Taggart report released in June predicts that due to the pandemic, the number of tourists will decrease by 58% globally by the end of the year - a record plunge for the industry. In light of current forecasts, what is your strategy for overcoming the crisis and operating the hotel in an orderly manner?

It is difficult to talk about a strategy at this stage, as things change every couple of weeks in the country. I think it is most important to maintain an optimistic mood and have positive expectations. Clearly it will not be business as usual tomorrow or even next month. Therefore, it makes sense to have calculations in place for next year and to concentrate on 2021. Unless, of course, things take a turn for the worst, as there is talk of a second and third wave of the virus. I also believe that the virus and certain accompanying restrictions will return. Whether it will be as bad as in spring this year, I do not know. However, we are now better prepared for dealing with this scenario.

The pandemic has changed people's attitudes towards travelling. Trips around the world will no longer be planned with ease, and locations will be chosen more carefully. The business sector must find new and alternative ways of doing business. This does not necessarily mean that we will be leaving the hospitality sector or completely change our current concepts. However, as you can see for your-

self, conference rooms are completely empty. I can understand that some people are more scared than others. Last year, when we reopened the hotel after lengthy renovations, everything revolved around social interaction with our guests. Now we must do the complete opposite and make social distancing a central part of our policies. Can you imagine how difficult it is to teach staff how to effectively interact with guests while maintaining a safe distance? Fortunately, I can state with confidence that our main principle remains the same - to create a warm and cosy environment where our guests will feel maximum comfort.

You often say that we must be realistic. What exactly do you mean?

Even if all borders reopen and all flight routes resume, many people will still be sceptical about travelling. I believe that people will refrain from holidaying abroad for at least another few months, regardless of whether or not they are afraid of the virus. I understand where they are coming from. It will take time to get back to old ways, and we are currently analysing all possible scenarios. This crisis will not be over any time soon - not only because of the virus, but also because people have lost money and have become more measured in their spending. This is a large vicious circle where the financial impact is as damaging as the virus itself.

How people spend money is changing, and the only advantage that Georgia has in this regard is the relatively low cost of travel. For example, with the money that people would spend travelling to Italy, they could have a considerably longer and better holiday in Georgia. As a result, our hospitality sector could return to normal sooner than in other European countries. We are also seeing a lot of articles being written about Georgia's success in fighting the virus. We are viewed as a safe country, which will undoubtedly also work in our favour. Speaking of advantages, I would also mention the relatively short flying time from many countries to Georgia as a contributing factor to last year's tourist boom. I strongly believe that despite the virus, the industry will recover next year.

How busy is the Sheraton Grand Tbilisi Metechi



Palace hotel right now? How does the occupancy rate compare to your current resources?

As expected, the occupancy rate is extremely low. Naturally, it would make no sense to expect 50 rooms to be occupied every day, as we know that it is not going to happen. The priority now is to balance our costs and revenue. To be honest, our team was prepared for these developments even before the pandemic was officially declared, so we were not taken completely by surprise. However, if you take our conference room as an example, you are rarely going to find anyone in it now. Last year, even when most people were out of town, we were operating at full capacity as a Hollywood movie was being filmed here and we were hosting the film crew.

Over the last few months, you would have often heard people say that the current crisis may create new opportunities for businesses. Do you share this view?

Generally speaking, you could look for positives and new opportunities anywhere. However, what opportunities can we talk about if businesses cease to exist? This is another issue that we must look at realistically. The only positive effect that the pandemic may have had on the business sector is that it gave us time to think about what we were doing right and what we were doing wrong, and to rectify any mistakes. Under normal circumstances, we rarely have time to think about such issues in depth, but that is exactly what my team and I have been doing.

Perhaps another positive aspect is the fact that we have had more time for training. People view online training sceptically, but we eliminated this stereotype. As for me personally, I seek to use my newly found spare time for developing new relationships. Establishing new ties will become even more important than before.

Over the last few months, the crisis has affected



individual employees as much as businesses as a whole. How did you approach the issue of retaining or laying off staff?

We have a certain number of employees working from home. Others have to be physically present in the hotel. I am not going to lie, we have also been forced to put some people on unpaid leave, and not everyone had their contracts extended. This was a natural process of reducing staff numbers in the light of the pandemic and the financial difficulties facing the hotel. Until last week, our active staff were working three days per week, and will now be returning to the five-day work week schedule. Naturally, many of them will not be as busy as before, but that does not apply to everyone. For example, our financial department, still has the same workload as before, while the sales department is even busier than prior to the pandemic. On a personal level, I have been doing and thinking about things that I never took into consideration before. Team spirit is now better than before the pandemic, while staff are noticeably more dynamic.

Let me ask you about the financial impact. We are always interested in figures, and the number of international visitors is expected to decrease by 65% this year, same as the revenue from tourism. Studies show that Adjara, Mtskheta-Mtianeti and Tbilisi will be hit particularly hard.

Let me start by saying that our hotel currently has virtually no income. There are small revenue streams, but they do not even come close to covering our operating expenses. March was a reasonably successful month, but we have been left without income since April. Due to the specifics of our business, expenses do not depend on occupancy. In April, we made 200 rooms available to the state for quarantine purposes, which significantly increased our expenses as we had to feed 200 people three times a day, clean their rooms, and so on. Overall, it had a significant financial effect on our business, but we managed to overcome these difficulties.

Quarantine is over, but we had no revenue during the months of June and July either. We are now hav-



ing to find a balance between revenue and expenses. We simply have no other option. We are closely monitoring the cash flow and trying to survive with as little pain as possible. I think that people in this industry who are still hoping to obtain revenue this year are mistaken, and their calculations are incorrect. We must ensure that we plan the budget correctly and logically for next year.

What has been the biggest challenge for you as the general manager of a hotel during this period?

I can confidently say that the lockdown and closing of the borders have been the biggest challenges. Setting up a quarantine zone in our hotel was the only solution we could find. As General Manager, I believe I made the correct decision back in January to stockpile face masks, hand sanitisers and all other necessities. It came as a shock when the border closure was announced. I could barely believe that we would have to shut down such a large hotel. I had to put my emotions aside as I had to deal with the second shock of realising that I would be un-

able to extend some employees' contracts. When I mentioned team spirit earlier, I was talking about the moment when we announced that the hotel would be turned into a quarantine zone. Approximately 95% of our staff expressed their willingness to stay and work under new terms, even though nobody asked them to do so in light of the epidemiological environment. To be honest, this boosted my spirits and my motivation enormously.

How optimistic are you about the future of the hospitality sector, and what are your plans regarding the hotel?

I would be happy if we can manage to fulfil as little as 50% of our potential next spring. Naturally, nobody knows what will happen even next month, and this may sound strange, but we must promise small and deliver big. When you cannot deliver on your promises, people are left disappointed. It is, therefore, vital to set realistic targets and follow a concrete plan to achieve them. This is the only responsible approach. **S**

Crisis on the Menu - Georgian Restaurants in Kazakhstan

With seven restaurants in three cities of Kazakhstan, the Georgian restaurant Darejani occupies second place on TripAdvisor. Restaurants that were used to serving 300 patrons per day were forced to shut down for over two months. The first major change after the Coronavirus lockdown was lifted was to try to host guests of a younger generation. Like most businesses, ABR management has gotten used to the idea of not earning a profit this year. Now getting over the crisis with zero losses is the main goal of the company.

BY MADONA GASANOVA



The COVID-19 pandemic has been the biggest shock to Kazakhstan's economy in almost two decades, and it is already having a highly negative impact on growth, the World Bank's Kazakhstan Economic Update, which is a semi-annual report, states the following:

Kazakhstan's GDP is projected to contract by 3% in 2020 and to recover only modestly by 2.5% in 2021. A prolonged crisis is likely to increase poverty and increase inequality within society. The poverty rate may rise in 2020 from a projected 8.3% to 12.7%.

ABR is owned by Kazakh businessman Askar Baitasov and has thirty establishments in Kazakhstan including Darejani, which was founded in 2012. Before the pandemic, these restaurants hosted up to three million patrons per year.

Forbes Georgia interviewed Asem Turebekova, brand manager of the chain of Georgian restaurants. In her interview, Turebekova talked about losses during lockdown, new trends in the restaurant industry and her expectations regarding the second wave of the pandemic.

The first Darejani restaurant was opened in Almaty eight years ago by ABR. At that time, the company already had several Italian restaurants called Del Papa. Georgian cuisine in Almaty in 2012 was represented mainly by small cafes serving mixed cuisine from the Caucasian region - Shashlik, Khychin, Dolma and Khachapuri. These cafes had low prices, loud music, a limited menu and unstylish interiors. There was a need for a Georgian restaurant of higher class, with a Georgian chef, with all the traditional dishes of Georgia, good wine, and a modern interior. In the first years after its opening, the restaurant received over 300 guests per day. These were mainly residents of the city and tourists; for a long time the restaurants at in second place on TripAdvisor. The opening of Darejani set a new trend for Georgian cuisine, in the following years many restaurants were opened for different segments of patrons- from snack bars to luxurious restaurants.

From the very beginning, the first brand-chef of Darejani - Demuri Kadelia (who is originally from Mingrelia) - developed and introduced dough



standards for Khinkali and Khachapuri, the taste of Chashushuli, Chakhokhbili and Mingrelian meat. After this, the management invited different chefs from Georgia to develop and improve the taste of these dishes, and they remain the most popular in the restaurant network.

LOCKDOWN

From the inception of the Coronavirus outbreak, Turebekova followed the news in China and



Italy, but at first it seemed that the virus would not reach her country on the same scale. When the first order to close the entire business came, it was of course unexpected. “For the first 2 weeks we just had to wait, as there was no certainty of what we could do next,” Turebekova recalls.

On March 16th, all businesses in Kazakhstan were closed at the same time. All offices, shops, markets, and restaurants were shut. This lasted three weeks, and then restaurants were allowed to open for delivery only. ABR opened two out of six restaurants for delivery and worked actively with delivery companies such as Wolt, Glovo and the local delivery service Chocofood. From May 18th, restaurant owners of Kazakhstan were able to receive patrons at their premises, only on open terraces and no more than thirty people at one time.

Currently at Darejani there are about 250 employees across seven restaurants in three different cities. During lockdown, many employees had to look for another job. Some went to work as couriers for delivery companies; some changed their profession entirely. But ABR managed to retain the bulk of its employees. The company had to reduce their wage bill and for some time the salaries of all employees, including top management, were reduced. Turebekova proudly underlines the loyalty of their employees, as many took it well and understood the situation.

AFTER LOCKDOWN

Even though the Kazakh government’s restrictions on opening hours of restaurants and the number of seats available currently remains, Darejani has managed to get close to their previous volume of

diners. However, the patrons' profiles have changed a lot. Before quarantine, guests of an older generation visited the restaurant, now there are much fewer of them. Today, younger people visit the restaurant, and the management is trying to attract this audience with more modern and progressive cuisine.

REACTION TO LOCKDOWN

The Kazakh government responded to the threat of an epidemic quite quickly. All the streets were empty, everything was closed, and this helped avoid an outbreak of disease at the very beginning. But Turebekova considers such measures as a huge blow to the economy. She believes that most of the population do not have the resources to be unemployed for a long time. Gradually the Kazakh government began to allow markets, restaurants, and shops to start working normally. In any case, Turebekova believes that the effectiveness of quarantine compliance can only be achieved by timely information from the government and social awareness by the population. Turebekova adds that, unfortunately, this was not fully achieved and the number of cases increased.

EFFECTIVENESS OF THE GOVERNMENT'S MEASURES

After tourism, the restaurant industry ranks second in terms of the most losses suffered in Kazakhstan. The government took some measures to support the population. For example, it offered benefits to any employees who were forced to furlough. These employees received a deferment period for salary tax until October. The second stimulus package, an extension of loan repayments, is currently under discussion. As a large taxpayer, ABR also wants a VAT deferral, but it is not yet clear whether this will happen.

EAT OUT TO HELP OUT

On the very first day that restaurants could receive patrons, there was a lot of excitement. Darejani had the same number of guests as they had before lockdown. In addition, a large stream of new guests appeared, perhaps this was due to people missing dining out in restaurants. Also, the easing of quarantine came during the summer months and the inability

to go on holiday abroad meant that restaurants received a large flow of local citizens this summer.


DELIVERY SERVICE

ABR started work on developing its own app and delivery service for their Italian restaurants before the pandemic. They planned to gradually switch the rest of the restaurants in the chain to their own delivery service, but due to quarantine this process slowed down. Accordingly, Darejani did not offer a delivery service to its customers. However, the management is continuing to work on this project, and soon all Darejani restaurants will also have their own delivery service.

THE NEXT WAVE OF THE PANDEMIC

Now ABR is gradually getting back to their feet. There are a lot of rumours about a second wave of the virus and there is no certainty, but as Turebekova says, they are taking intensified measures to be prepared for any unexpected occurrences. She finds it difficult to predict what the second wave will be like, but it seems to her that they have already experienced confusion after the first, so now more balanced and effective decisions based on experience can be taken. If another lockdown is announced, the management already knows which restaurants in the chain are effective in terms of operating as delivery outlets, how many employees they need, how they can build an effective marketing plan and what financially it will cost. Having said this, Turebekova believes a second wave of Coronavirus will still negatively affect the profitability of restaurants. Trying to minimize losses is the only thing they can do.

RESTAURANTS AFTER COVID-19

In order to best describe the restaurant industry after the pandemic, Turebekova quotes ABR's managing director Boytsov, who says that their main task for today is to keep the business open. "Practically no one talks about making money. Coming out of the crisis with zero losses, while maintaining the business and adapting the entire infrastructure to new trends - this is our goal. I wouldn't be surprised if a third of businesses in the sector are closed by the spring. Some restaurants have already closed." 



ECONOMICS

GELA BARSHOVI - CURRENT EVENTS

Changes in Georgian VAT Rules –

The effect on Georgian tax residents providing services (or receiving services from) abroad



INTRODUCTION

From the 1st of January 2021, significant amendments to Georgian Value Added Tax (VAT) regulations will come into effect. The Georgian parliament has already approved the changes to the rules. These are the most significant changes ever made to Georgian VAT regulations, and the purpose was to bring them in line with the VAT laws in the EU. In this article, I will describe the amendments of one particular regulation that might be the most important for Georgian residents providing services abroad (i.e. Georgian companies and natural persons, expat entrepreneurs and freelancers).

THE GENERAL PRINCIPLE OF VAT TAXATION IN GEORGIA

The VAT rate in Georgia is 18%, and the registration threshold amounts to 100,000 GEL. Reverse VAT is also 18% and is payable if a Georgian resident taxpayer receives a service from non-resident persons (no threshold applies).

According to the Georgian tax code, only delivery of services is taxable by VAT (or reverse VAT), which is considered provided in Georgian territory. Suppose a Georgian taxpayer provides service abroad. In that case, that service will be exempt (with the right of VAT deduction) only if, according to the definition provided by the Georgian tax code, that service is qualified as delivered in a non-Georgian territory.

The same principle applies to reverse VAT: When a non-resident provides a service to a Georgian resident taxpayer, and the service is qualified as delivered outside of Georgian territory, no reverse VAT is applicable.

Therefore, every time the cross-border service provision occurs, we need to analyze whether the service was

delivered in Georgian territory or not (and thus is taxable by VAT or not).

THE CURRENT WORDING OF ARTICLE #166, "PLACE OF SERVICE DELIVERY" AND ITS IMPORTANCE

There is a particular article, #166 of the Georgian tax code, dedicated to determining for VAT purposes whether a service was provided in Georgian territory or outside Georgia. This article consists of several paragraphs and subparagraphs among which the most widely used is paragraph 1, subparagraph "d", according to which:

"For this section, the place of service delivery shall be:

if the persons receiving and delivering services are in different states, the place of registration or management of the person receiving Services or the location of the permanent establishment of the person receiving the services, if the services are directly related to that permanent establishment. The provisions of this subparagraph shall apply to the following services:

- d.a) the transfer of patents, licenses, trademarks, copyrights or other similar intangible assets;
- d.b) delivery of consulting, legal, accounting, engineering, and other related services, also processing and delivery of data and information;
- d.c) provision of personnel;
- d.d) renting out the movable property, except for the renting of vehicles;
- d.e) advertising services;
- d.f) obligation to refrain from business activities or from exercising the right described in this subparagraph;
- d.g) financial and insurance transactions, including

reinsurance;

d.h) telecommunication, radio, and television broadcasting services;

d.i) electronically delivered services;

d.j) delivery of services through an intermediary, who acts in the name and on behalf of another person and takes part in the delivery of the services described in this paragraph.”

(Notably, Article 166.1. (d) applies ONLY to the type of services listed above)

What does this clause mean?

A territory of service is a jurisdiction wherever the service recipient is operating (registered or is managed from). If a Georgian tax resident provides a service abroad, that service is considered as being conducted outside of Georgian territory (because the person who receives the service operates outside of Georgia); therefore, that service is not taxable by VAT.

That principle is very similar to what is applicable in the EU and many other countries, but the problem is that the subparagraph mentioned above applies only to certain types of activities listed below this subparagraph. So, suppose the business activity (for example, agent service) is not in the list provided in Article #166.1 (d). In that case, we face opposite consequences: Provision of such service is most likely taxable by VAT when provided from Georgia abroad, and on the contrary, exempt from reverse VAT if the service recipient is a Georgian resident and the provider is a non-resident. The service would be exempt from VAT when provided from Georgia to abroad, only if it were listed in the mentioned sub-paragraph.

For example, a Georgian company provides a consultation service to a German company. That service will be exempt from Georgian VAT because consultation services are included in the list of services in the subparagraph “d” of Article #166.1 for which the rule mentioned above applies.

Notably, the list of services is not exhaustive and leaves rooms for interpretation (e.g. “other similar services”). The

legal definition of each type of activity to which the above rule applies needs more in-depth analysis. For instance, for determining what counts as “advertisement services” requires checking the legal definition of “advertisement” provided by the “Georgian law regarding advertisement”. Lastly, in some cases, other subparagraphs of Article #166 might be applicable rather than #166.1 (d). So, please do be careful when analyzing this issue and do not only read sub-paragraph “d”, instead read the whole article.

As we can see, because of the specificity of Georgian VAT rules, many taxpayers (e.g. expats working from Georgia and providing services abroad) might face VAT taxation even if they invoice outside of Georgia. This is a big problem because the application of Value Added Tax increases the service price by 18%, which cannot be deducted by the recipients as they are taxpayers in other jurisdictions.

PENALTIES FOR LATE VAT REGISTRATION

If a person should register as a VAT payer but does not do it or does it later than the deadline, the penalty of 5% of turnover applies, as well as interest 0.05% of the principal amount of due VAT each day until the actual payment of the tax liabilities is made.

WHAT WILL CHANGE FROM 2021?

As already mentioned, the different rules of determining “the place of delivery of the service” will be in force from January 2021. According to the new wording, the so-called “B2B” (Business to Business) and “B2C” (Business to Consumer) principle will apply. Let us explain in more detail:

If a service is provided to a business, the place of service delivery is a place where the recipient operates (registration or management). Importantly, that rule is general and does not apply to only specific types of services, which is different to the

current regulation. On the other hand, if the service is provided to a consumer, the place of service delivery is where the service provider operates (registration or management).

In other words, if a Georgian taxpayer provides a service to a non-resident taxpayer, it is not taxable by VAT in Georgia because it is a B2B transaction, and the place of service delivery is not Georgia because the service recipient operates abroad.

As already mentioned, if a Georgian taxpayer provides a service to foreign consumers, then the service might be taxable in Georgia because the B2C principle applies, and the service delivery is where the service provider operates (Georgia). However, the clause has its protection: some activities (mostly ones listed in the current subparagraph described above) are still exempt from VAT.

As you see, the new rule is more beneficial to Georgian residents providing a service abroad but works on the contrary for the Georgian residents receiving services from abroad because from 2021 the latter will have to levy reverse VAT on cross-border services more frequently than before (B2B, when recipient operates in Georgia).

CONCLUSION

Based on current VAT rules, some types of services provided from Georgia abroad is taxable by VAT because those services are considered as conducted in Georgian territory (because they are not in the list of services in Article #166.1 (d)). In the same way, reverse VAT is not payable on some services received by Georgian resident taxpayers from abroad. This rule will change from 2021, and according to the new wording, most services provided from Georgia abroad will be exempt from VAT. Regardless of the original, more beneficial rule, each case still needs to be analyzed individually with a qualified tax consultant to ensure that all liabilities are fulfilled correctly, and penalties are avoided. **F**

Where Government Responses To Covid-19 Score High Marks With The Public

by Niall McCarthy

AS COVID-19 SPREAD ACROSS THE WORLD like wildfire earlier this year, governments had to move fast to contain the outbreak. Some performed better than others with South Korea, Taiwan and Vietnam all notable examples of places where mass testing combined with efficient contact tracing and isolation helped to initially curb the spread of the disease. Elsewhere, some governments were criticized for moving too late in implementing lockdowns with the United States and the United Kingdom still among the worst-hit countries globally. In Europe, Italy and Spain were the initial epicenter of the pandemic before tough lockdown strategies finally got the disease under some semblance of control, though the summer holiday season has sent cases spiking once again in the latter.

A recent Pew Research Center survey gauged public attitudes to the government's coronavirus response across 14 advanced economies, finding that opinion is generally positive with 73% median approval. There is some variation in that assessment, however, with British and U.S. respondents clearly divided in their opinions. The survey found that a 54% majority of people in the UK disapprove of their government's reaction to the pandemic while 46% give the effort the thumbs up. The results are similar among U.S. respondents with 52% of the public stating that the authorities responded badly to the outbreak while 47% approve. That is in stark contrast to Canada where 88% of people north of the U.S. border say their government did a good job with its coronavirus response.

