

ENGLISH ISSUE

# Forbes

GEORGIA

RATING

GEORGIA'S

100

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COMPANIES

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# Forbes

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*Photographers: Khatuna Khutsishvili,  
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# LeaderBoard

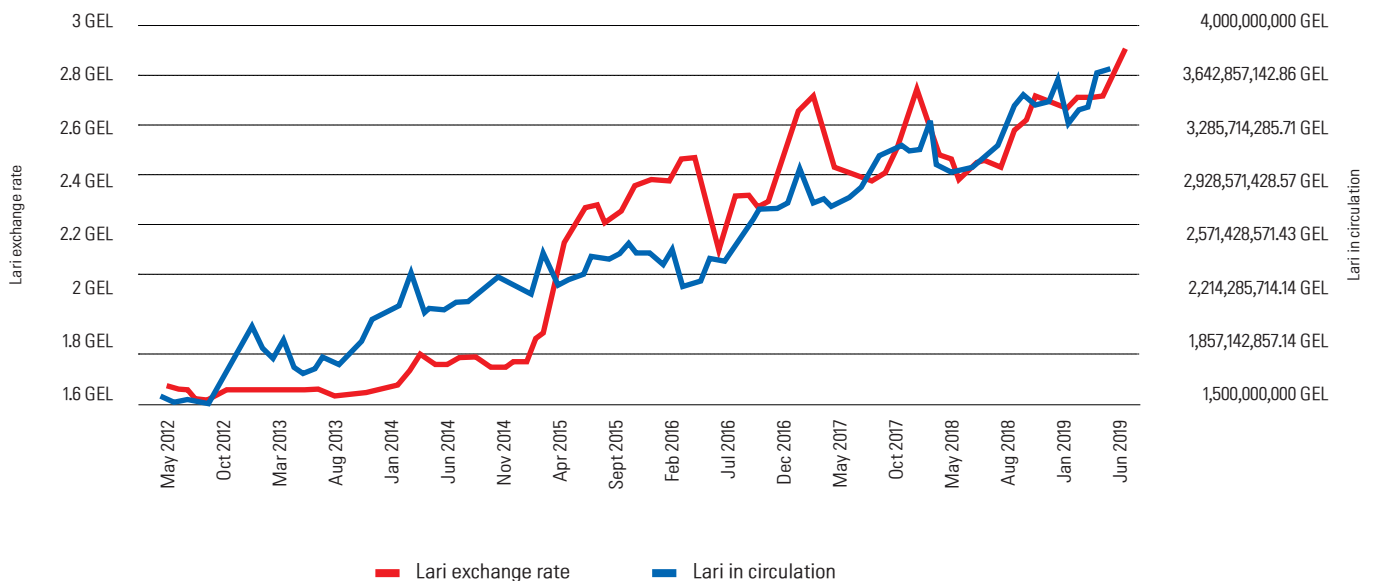
## Three Charts that Clearly Reveal the Role of the Money Supply in the Devaluation of the National Currency

BY SHOTA TKESHELASHVILI

The Georgian national currency - the Lari - is more devalued today than it has ever been in its 23-year existence. As usual, the Georgian government is blaming external factors outside of their control, rather than their own policies. There are several factors that are simultaneously influencing the Lari to US dollar exchange rate. Some of these factors are within the scope of governmental control, whilst others are beyond it.

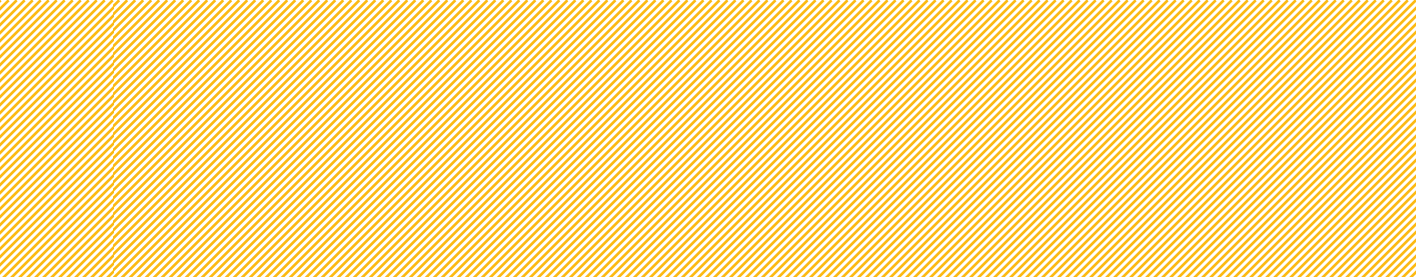
***National Bank of Georgia statistics show that the existing supply of money in the country is at an all-time high.***

Lari exchange rate and lari in circulation

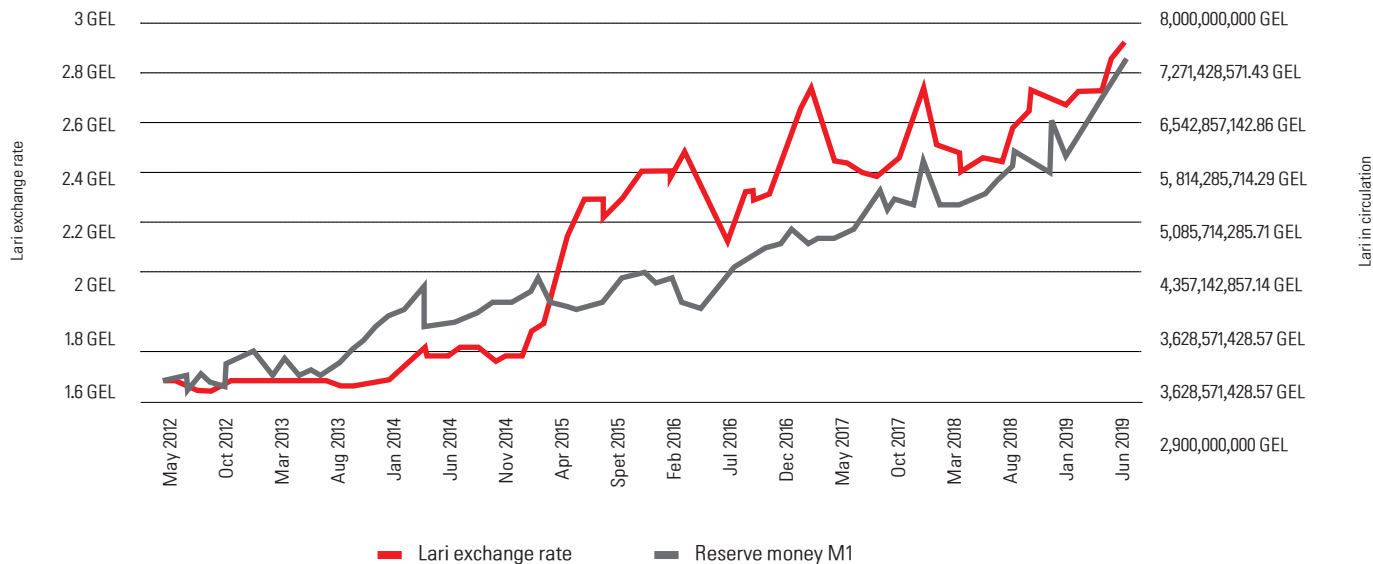


'Cash in circulation' (M0) currently exceeds 3.7 billion GEL, compared to 3.1 billion GEL only 12 months ago. The correlation between changes in the money supply and the exchange rate during the past few years was 0.9. To put it simply, when the money supply went up, the national currency showed devaluation trends nine times out of ten. Conversely, a reduction in the money supply led to a stronger Lari nine times out of ten.

The blue dotted line on the chart shows the changes in the volume of money supply over the years, while the black dotted line shows the Lari to US dollar exchange rate.

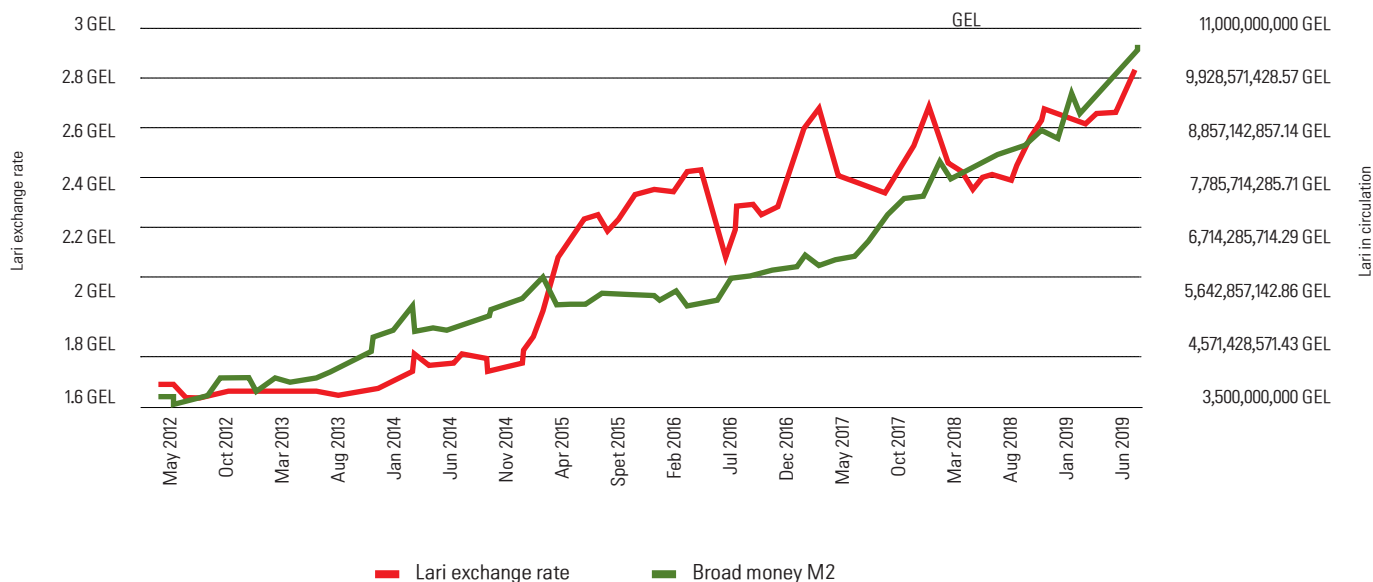


### Lari exchange rate and M1



The same noticeable link is visible between the so-called 'reserve money' (M1) and the exchange rate. M1 includes both cash in circulation and commercial bank deposits in the National Bank of Georgia. The current volume of reserve funds is 7.3 billion GEL.

### Lari exchange rate and M2



Also, increasing is the volume of 'broad money' (M2); this accounts for all the national currency in circulation, as well as all commercial bank deposits in the national currency. The current volume of M2 is 10.7 billion GEL. Like the other monetary aggregates, this figure has been growing quite rapidly in recent years.

# LeaderBoard

## Top 10 of the Wealthiest Families in the World

**REGARDLESS OF YOUR PARTICULAR FINANCIAL STATUS**, keeping tabs on the ultra-rich—whether with admiration, envy, or resentment—is perhaps more pleasurable and less demanding than researching a mortgage, or shopping for online brokers, or getting schooled on complex topics in finance and economics like how exchange-traded funds work and the pros and cons of GDP.

To be sure, the appeal of wealthy families reflects a culture that fetishizes wealth and lionizes the rich. The upper echelon of business leaders is a kind of celebrity, as scrutinized for their ability to perform as athletes, actors, and politicians.

Successful family businesses may offer a universal appeal. Few of us will ever become billionaires, but everyone has a family. What's more, family businesses imply values of authenticity, tradition, heritage, lineage, and quality. And wealthy families suggest royalty, especially if the wealth is intergenerational.

For the sake of simplicity, we have limited our list of richest families to those groups who originally made their fortunes through business, even if some heirs who still enjoy the money haven't been employed in the business. The fortunes given are in a range because fortunes fluctuate daily with the markets, and it matters how you count it up. The most recent updates to these figures occurred between late 2018 and early 2019.

BY SEAN ROSS



### 1. Walton Family - Walmart

ESTIMATED WEALTH: \$190.5 BILLION

The Waltons are the richest family in America and by some measures the wealthiest clan in the world. At the top of the value chain, in 2019, Jim and Alice Walton are each worth more than \$44 billion and ranked #16 and #17, respectively, on Forbes annual list of billionaires. Walmart is a retail behemoth.

Founded by Sam Walton in Arkansas in 1962, Walmart is now the world's largest company, by 2019 revenues, with \$514.4 billion, and over 1.5 million U.S. associates, according to its corporate website. If those people constituted their own city, it would be the fourth most populous American city, after New York, Los Angeles, and Chicago. The company operates nearly 12,000 retail stores worldwide and 5,362 stores in the U.S., as of August 2019.

Best known for big box stores in rural and suburban America celebrated for its low priced products, and excoriated for its labor practices, the company failed to bring its big-box consumer lifestyle to New York City, unlike its competitor Target.



## 2. Mars Family - *Mars*

ESTIMATED WEALTH: \$126.5 BILLION

Mars is the Walmart of candy: a multigenerational family business that is ubiquitous, cheap, and popular. Today the company is better known for making M&Ms than for its eponymous Mars bar. In 2017, the world's largest candy company diversified with the purchase of VAC, a pet care company, for \$7.7 billion.

Siblings Jacqueline and John Mars, whose grandfather Frank Mars founded the company, each has a net worth of \$23.9 billion, tied for #33 in 2019 on the Forbes annual list of billionaires. The company is now being run by some of their children, the fourth generation of Mars family members. Sweet!

## 3. Koch Brothers - *Koch Industries*

ESTIMATED WEALTH: \$124.5 BILLION

Charles and David Koch owe their staggering fortune to an oil business founded by their father, but today are perhaps better known to the general public for their politics, digging into their deep pockets to place their stamp on politics: financing candidates and libertarian think tanks, funding university professorships, and lobbying for policy positions, all aimed at furthering a conservative agenda. The brothers are worth an estimated \$50.5 billion each, tied for the #11 spot on Forbes billionaire list.



## 4. Al Saud - *Saudi Royal Family*

ESTIMATED WEALTH: \$100 BILLION

The House of Saud, the Saudi royal family has a monarchical history extending back nearly a century. The family's massive fortune, estimated at \$100 billion, has grown thanks to decades of payments from the Royal Diwan, the king's executive office. Ties with Saudi Aramco, the world's most profitable company and a behemoth of the oil industry, ensure that the Saudi royal family continues to accumulate wealth. It's difficult to accurately assess the wealth of the House of Saud, in part because the family contains as many as 15,000 extended members, many of whom have founded businesses, received government contracts and more.

# LeaderBoard

## 5. Wertheimer Family - *Chanel*

ESTIMATED WEALTH: \$57.6 BILLION

French high fashion house Chanel is legendary for the timeless “little black dress,” the No. 5 perfume, and the deceased, high-profile designer Karl Lagerfeld, who died on February 19, 2019. Brothers Alan and Gerhard Wertheimer now co-own the company that their grandfather staked with founder Gabrielle Coco Chanel.



## 6. Dumas Family - *Hermès*

ESTIMATED WEALTH: \$53.1 BILLION

French fashion house and luxury purveyor Hermès has dazzled the world with its signature scarves, neckties, and perfumes as well as its iconic Kelly and Birkin handbags. Back in the 19th century, Thierry Hermès fashioned riding apparel for the aristocracy. Today, the company adorns basketball royalty, LeBron James. Fusing old school and new technology, a line of Hermès Apple Watches sells for \$1,300 to \$2,000 and up apiece. Axel Dumas currently serves as the company’s CEO and chairman, and Pierre-Alexis Dumas is the artistic director.

## 7. Van Damme, De Spoelberch and De Mevius Families - *Anheuser-Busch InBev*

ESTIMATED WEALTH: \$52.9BILLION

These three Belgian brewers have a history in the beverage industry extending back more than 500 years. The Van Damme clan joined the efforts of the De Spoelberch and De Mevius families in 1987, when Piedboeuf and Artois merged to form Interbrew. Together, these three families have an estimated fortune of close to \$53 billion.



PHOTO: SHUTTERSTOCK



## 8. **Boehringer, Von Baumbach Families - Boehringer Ingelheim**

ESTIMATED WEALTH: \$51.9 BILLION

Boehringer Ingelheim is a German pharmaceuticals company with more than 130 years of history. The Boehringer family, along with the Von Baumbachs, remain in control of the company several generations later. All told, these two families possess fortunes totaling just under \$52 billion.

## 9. **Mukesh and Anil Ambani - Reliance Industries**

ESTIMATED WEALTH: \$50.4 BILLION

Indian industrial conglomerate Reliance Industries, the only Asian company on our list, can be the least well known to average readers. Nevertheless, CEO Mukesh Ambani, whose late father founded the company in 1957, is #13 on Forbes 2019 list, overseeing the company's refining, petrochemicals, oil, gas, and textiles; his brother Anil manages telecommunications, asset management, entertainment, and power generation. Anil's elder son, Anmol, is the executive director of Reliance Capital.



## 10. **Cargill, MacMillan Families - Cargill**

ESTIMATED WEALTH: \$42.9 BILLION

Sixth-generation Cargill and MacMillan family members oversee Cargill Inc., among the largest closely held companies in the U.S. Cargill is a commodities giant which began in Iowa more than 150 years ago. With operations spanning industrial, agriculture and food products and services, the company is now based in Minneapolis.

### THE BOTTOM LINE

While wealthy dynasties have been embedded in politics for centuries, it doesn't seem coincidental that the allure of wealthy family lists coincides with the presidency and digital omnipresence of Donald Trump, whose wealth originated in his father's New York real estate business, and whose daughter married the real estate scion Jared Kushner, both now in the White House inner circle.

Admittedly, this list may read as a naked celebration of wealth at a time of rising global inequality and the vanishing middle class; a belated pop-culture rehash of Thomas Piketty; or an implicit condoning of heedless consumption at a time when the future of wealth itself is in question due to technological disruption and climate change.

Moreover, our focus on families means we don't include the world's three richest individuals. Bezos, Gates, and Buffett do not appear on our list, though technically they all have families. So be it.

# LeaderBoard

## Politics

### WHITE HOUSE WALLETS

Want a stable government job? Don't join Donald Trump's cabinet. In just two and a half years, the president has replaced 7 of his 16 department heads. The current lineup includes 11 millionaires, 2 centimillionaires and 1 billionaire. They're worth about \$3.1 billion in all—as much as the president himself.



**Betsy DeVos, 61**  
Secretary of Education  
(since February 2017)  
NET WORTH  
\$2 BILLION<sup>1</sup>



**Wilbur Ross, 81**  
Secretary of  
Commerce  
(February 2017)  
\$600 MILLION



**Steven Mnuchin, 56**  
Secretary of the  
Treasury  
(February 2017)  
\$400 MILLION



**William Barr, 69**  
Attorney General  
(February 2019)  
\$40 MILLION



**Ben Carson, 67**  
Secretary of Housing &  
Urban Development  
(March 2017)  
\$20 MILLION



**Elaine Chao, 66**  
Secretary of  
Transportation  
(January 2017)  
\$20 MILLION



**Alex Azar, 52**  
Secretary of Health &  
Human Services  
(January 2018)  
\$15 MILLION



**Mark Esper, 55**  
Secretary of Defense  
(June 2019)<sup>2</sup>  
\$5 MILLION



**Sonny Perdue, 72**  
Secretary of  
Agriculture  
(April 2017)  
\$5 MILLION



**David Bernhardt, 50**  
Secretary of the Interior  
(April 2019)  
\$3 MILLION



**Rick Perry, 69**  
Secretary of Energy  
(March 2017)  
\$3 MILLION



**Robert Wilkie, 57**  
Secretary of  
Veterans Affairs  
(July 2018)  
\$2 MILLION



**Alexander Acosta, 50**  
Secretary of Labor  
(April 2017)  
\$1 MILLION



**Mike Pence, 60**  
Vice President  
(January 2017)  
\$1 MILLION



**Michael Pompeo, 55**  
Secretary of State  
(April 2018)  
\$800,000



**Kevin McAleenan, 47**  
Secretary of  
Homeland Security  
(April 2019)<sup>2</sup>  
\$800,000

<sup>1</sup> SHARED WITH HUSBAND AND CHILDREN <sup>2</sup> ACTING SECRETARY

## Forbes Finds

### TEE TIME



TAG Heuer's Connected Modular 45 Golf Edition is like having a caddie on your wrist. Using GPS technology in the Android-powered smartwatch, the Golf Edition (\$1,850) links to an app preloaded with 39,000 courses around the world and provides live information about distance and hazards with 2-D mapping on the watch and 3-D renderings on the phone. It also keeps score for up to four players—but offers no mulligans.

## Billionaires

### RICHEST BY STATE



An ex-con turned used-car salesman worth \$5.4 billion is now the richest person in Arizona, thanks to a 42% stake in online auto dealer Carvana. Ernest Garcia II pleaded guilty to bank fraud and later filed for bankruptcy. (His son, Ernest III, cofounded Carvana and is also a billionaire.) For the full story—and the rest of our annual atlas of the wealthiest person in every state—visit [forbes.com/richestbystate](http://forbes.com/richestbystate).

# LeaderBoard

Sportsmoney

## THE TOP-EARNING ATHLETES

Which sports stars score the biggest paydays? Most of the newest faces from our annual ranking play in the NFL, largely because football contracts offer bigger signing bonuses than in other leagues—followed by salaries that aren't always guaranteed. Khalil Mack, for instance, bagged \$34 million up front.



1. LIONEL MESSI  
\$92 MIL SALARY  
\$35 MIL ENDORSEMENTS  
\$127 MIL TOTAL



2. CRISTIANO RONALDO  
65  
44  
109



3. NEYMAR  
75  
30  
105



4. CANELO ALVAREZ  
92  
2  
94



5. ROGER FEDERER  
7.4  
86  
93.4

### Newcomers



13. KHALIL MACK  
54  
1  
55



22. DEMARCUS LAWRENCE  
46.8  
0.15  
46.9



23. BRYCE HARPER  
38  
6.5  
44.5



28. AARON DONALD  
40.9  
0.5  
41.4



34. BRANDIN COOKS  
37.5  
0.5  
38

### Standing Tall

In dollar terms, NBA players loom over pro athletes in other sports.



BASKETBALL  
\$1.3 BIL  
\$972 MIL  
\$321 MIL



FOOTBALL  
\$775 MIL  
\$704 MIL  
\$71 MIL



SOCCER  
\$607 MIL  
\$457 MIL  
\$151 MIL



BASEBALL  
\$468 MIL  
\$449 MIL  
\$18 MIL



TENNIS  
\$246 MIL  
\$46 MIL  
\$200 MIL



LEGEND  
TOTAL EARNINGS  
SALARIES  
ENDORSEMENTS

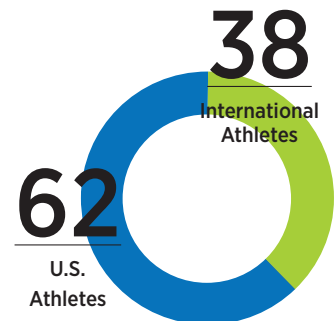
49

Oldest:  
Phil Mickelson



20

Youngest:  
Kylian Mbappé





# LeaderBoard

## The Most Miserable Countries in the World

BY KATIE JONES

**Some people believe that happiness comes from within.** In the world of economics, however, happiness may be more linked to quantitative factors such as inflation, lending rates, employment levels, and growth in gross domestic product (GDP). This rating uses data from Steve Hanke of the Cato Institute, and it visualizes the 2019 Misery Index rankings, across 95 countries that report this data on a consistent basis.

The index uses four key economic variables to rank and score countries: 1. Inflation 2. Lending rate 3. Unemployment rate 4. GDP per capita growth

To calculate each Misery Index score, a simple formula is used: GDP per capita growth is subtracted from the sum of unemployment, inflation, and bank lending rates.

Which of these factors are driving scores in some of the more “miserable” countries? Which countries rank low on the list, and why?

### THE HIGHEST MISERY INDEX SCORES

Two Latin American countries, Venezuela and Argentina, rank near the top of Hanke’s index.

#### 1. Vexation in Venezuela

Venezuela holds the title of the most “miserable” country in the world for the fourth consecutive year in a row. According to the United Nations, four million Venezuelans have left the country since its economic crisis began in 2014.

Turmoil in Venezuela has been further fueled by skyrocketing hyperinflation. Citizens struggle to afford basic items such as food, toiletries, and medicine. The Cafe Con Leche Index was created specifically to monitor the rapidly changing inflation rates in Venezuela.

Not only does Venezuela have the highest score in the Misery Index, but its score has also seen a dramatic increase over the past year as the crisis has accelerated.

#### 2. Argentina’s History of Volatility

Argentina is the second most “miserable” country, which comes as no surprise given the country’s history of economic crises.

The 2018 Argentine monetary crisis caused a severe devaluation of the peso. The downfall forced the President, Mauricio Macri, to request a loan from the International Monetary Fund (IMF).

To put things in perspective, this is the 22nd lending arrangement between Argentina and the IMF. Only six countries have had more commitments to the international organization, including Haiti (27) and Colombia (25).

### THE LOWEST MISERY INDEX SCORES

The two countries with the lowest scores in the index have one thing in common: extremely low rates of unemployment.

#### 1. Why Thailand is the Land of Smiles

Thailand takes the prize as the least “miserable” country in the world on the index. The country’s unemployment rate has been remarkably low for years, ranging between 0.4% and 1.2% since 2011. This is the result of the country’s unique structural factors. The “informal” sectors—such as street vendors or taxi drivers—absorb people who become unemployed in the “formal” sector.

Public infrastructure investments by the Thai government continue to attract both private domestic and foreign investments, bolstering the country’s GDP alongside tourism and exports.

#### 2. Hungary’s Prime Minister Sets the Score

Hungary is the second least “miserable” country in the world according to the index.

In 2010, Prime Minister Viktor Orbán implemented a workfare program which diverted menial tasks to thousands of job seekers. Over the same period that the program ran, the national unemployment rate fell from 11.4% to 3.8%.

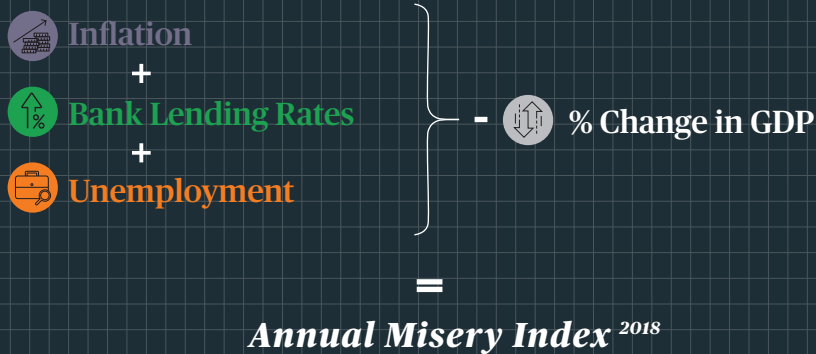
Orbán won a controversial fourth term in 2018, possibly in part due to promises to protect the country’s sovereignty against the European Union. Despite accusations of populism and even authoritarian tendencies, the Prime Minister still commands a strong following in Hungary.

# Ranked: The Most Miserable Countries in the World

COUNTING DOWN THE MOST 'MISERABLE' COUNTRIES BASED ON ECONOMIC DATA

Every year, the CATO institute produces **The Misery Index**.

Four economic indicators are used to calculate a "misery" score for each country:



COUNTRY	RANK	INDEX RATING	(COLOR DENOTES PRIMARY CONTRIBUTING FACTOR)
Thailand	95	1.7	
Hungary	94	2.6	
Japan	93	3.3	
Austria	92	3.9	
China	91	4.2	
Switzerland	90	4.2	
Taiwan	89	4.4	
Netherlands	88	4.7	
Czech Republic	87	5.0	
Malaysia	86	5.1	
Ireland	85	5.1	
Singapore	84	5.2	
Malta	83	5.3	
Germany	82	5.6	
Slovakia	81	5.7	
Qatar	80	5.8	
Poland	79	6.5	
South Korea	78	6.5	
Denmark	77	6.8	
Israel	76	6.8	
Latvia	75	7.0	

**Thailand** is the 'least miserable' country in the world. The country's unemployment rate has been remarkably low for years, ranging between 0.4-1.2%

**THAILAND**

1%  
+  
 4%  
+  
 1%  
- 5%

**Hungary's** Prime Minister, Viktor Orbán implemented a workfare program which diverted menial tasks to thousands of jobseekers. Over the same period that the program ran, the national unemployment rate fell from 11.4% to 3.8%

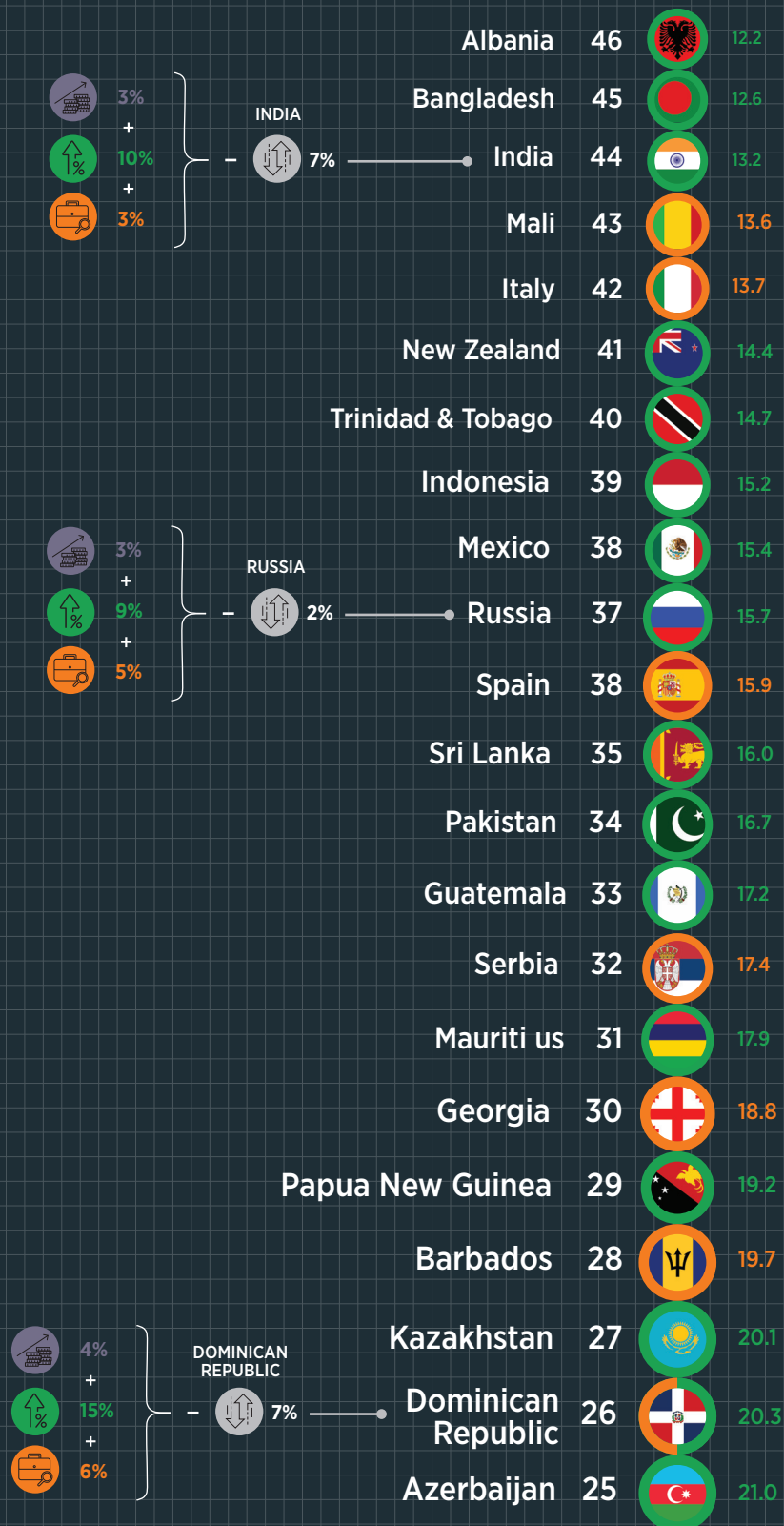
**HUNGARY**

3%  
+  
 2%  
+  
 4%  
- 4%

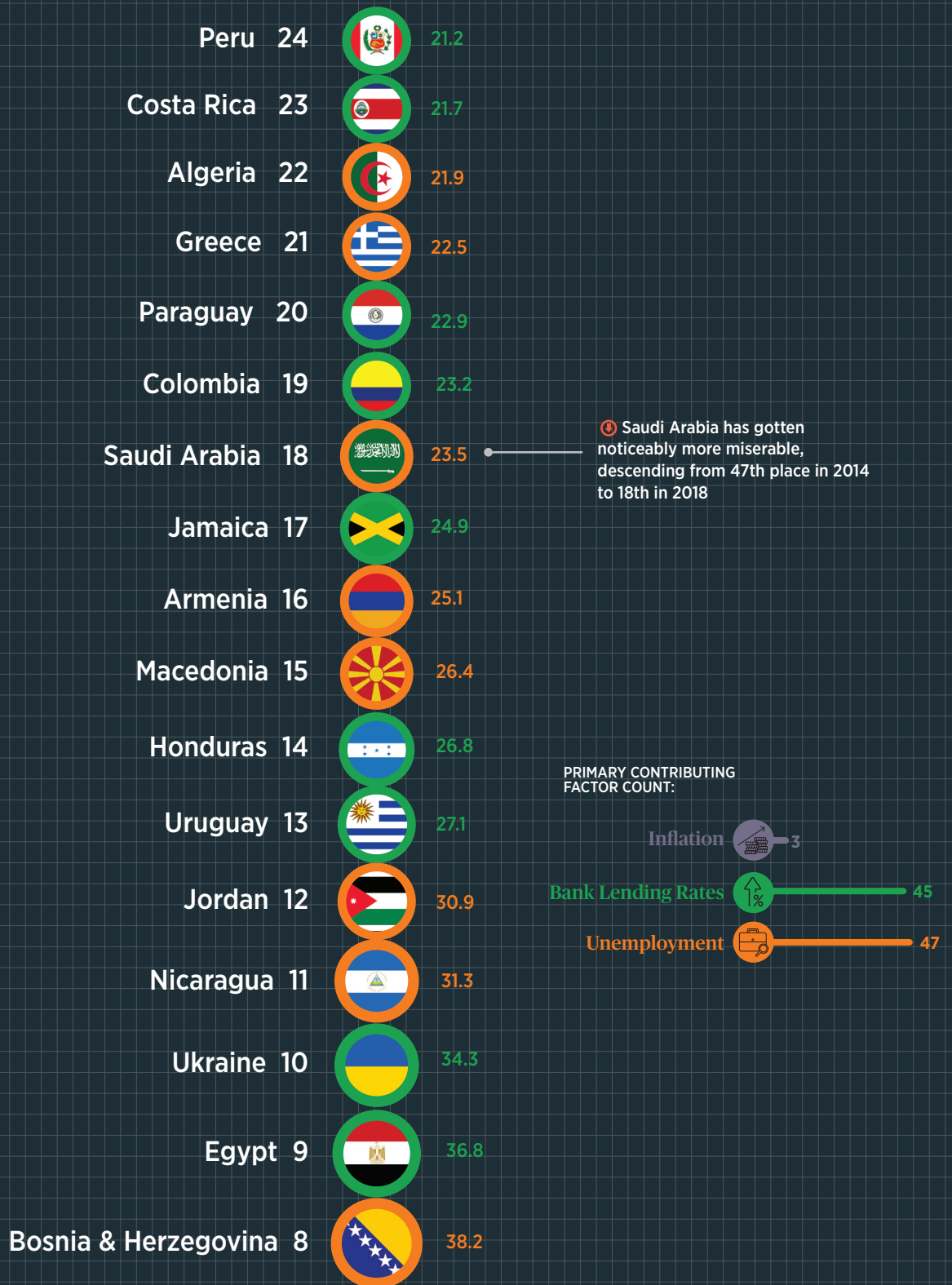
# The Most Miserable Countries in the World



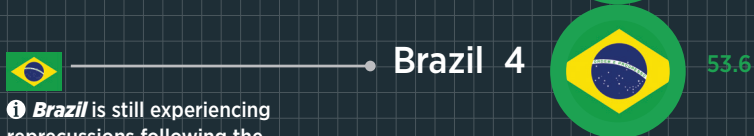
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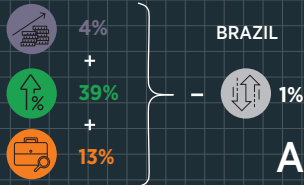
# The Most Miserable Countries in the World



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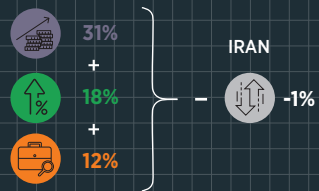


**Brazil** is still experiencing repercussions following the recession of 2015 - the fifth recession in twenty years.

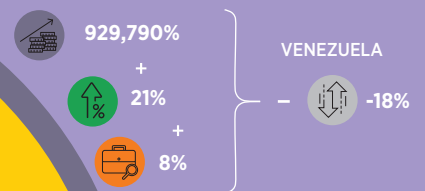


War-torn **Syria** ranked in the top five most miserable countries in 2017. However, Syria is not included in the 2018 index presumably due to lack of data.

Thanks to the currency depreciation, **Iran's** inflation jumped in 2018, and so did its Misery Index score, moving Iran from the 11th most miserable country in 2017 to the No. 3 spot in 2018



**Venezuela** is the most miserable country for the fourth consecutive year. Its index score has dramatically increased since 2018, amid the escalating political underd and economic crisis.





## THOUGHT LEADERS

PETER WIEBLER - DEVELOPMENT STRATEGY

# USAID Support for Citizen-Centered Responsive Politics in Georgia



**THIS AUTUMN**, Georgia is undertaking its most significant and comprehensive electoral reform since independence. This reform process creates a great opportunity for the country to strengthen its young democracy.

As part of the reform, Georgia looks to fundamentally alter the way it elects members of Parliament, apportion and regulates political party and campaign finance, and administers campaigns and elections. These changes will set the conditions for Georgia to develop a stronger political party system, foster electoral competition on a level playing field, and achieve greater pluralism and balance in Parliament.

As Georgia embarks on these consequential reforms, the U.S. Government, through the United States Agency for International Development (USAID), stands ready to support through innovative activities that engage local partners. Like in the past, our new initiatives do not choose political sides. Instead, informed by empirical analysis, our work aims to empower citizens of all political orientations to seek to help Georgia transition to a mature, consolidated democracy.

## **ELECTIONS, POLITICAL PROCESSES, AND GEORGIA'S SELF-RELIANCE**

USAID partners with our Georgian counterparts to build the capacity and conditions for Georgia to lead its own democratic development. For almost three decades, we have supported Georgia on this journey by supporting initiatives to develop political parties, strengthen electoral administration, and tighten civil society oversight of democratic institutions.

In 2019, USAID launched a new four-year, \$14 million initiative titled the Elections and Political Processes project (EPP). Our initiative will support electoral and political stakeholders to realize the potential of new reforms, prepare for the 2020 and 2021 election cycles, and address the remaining gaps to achieving self-reliance in Georgia's political and electoral sphere.

## **PROMOTING CITIZEN-CENTERED POLITICS**

USAID's new effort is built upon empirical analysis and outreach. It aims to help Georgian society develop a strong culture of citizen-centered, responsive political representation.

Assessing the political landscape, Georgians express much less trust in political parties compared with peer democratic nations. According to the World Values Survey, just one out of every five Georgians acknowledges some degree of confidence in political parties. This strongly correlates with the perception that politicians do not represent voter interests. In fact, polling by the Caucasus Research Resource Center (CRRC) shows that just two out of every five Georgians believe politicians represent their interests.

The concept behind these new programs is straightforward: by helping shift the focus of national politics away from personalities and toward issues that Georgians truly care about, public trust in the political system will grow. By fostering more citizen-responsive politics, USAID is recasting Georgian citizens as the core program beneficiaries.

Before Georgia can expect stronger issues-based political

parties, the country needs more issues-based voters. Our new efforts prioritize work with regions-based citizens and grassroots civic organizations to equip them with knowledge and tools to connect with political parties, effectively communicate their interests, and hold parties accountable. Instead of waiting for parties to engage them, voters can develop proactive approaches to advocating for and articulating their interests. Our work aims to make this happen - and not just during election years.

## LOCAL PARTNERS, LOCAL SOLUTIONS

Supporting local organizations is paramount as Georgia strengthens its electoral and political systems. USAID is investing significantly in direct partnerships with Georgian organizations. Non-partisan local organizations have roots in local communities and a keen sense of the context behind development challenges. Most importantly, they should continue to work long after international donor-supported projects end, and help form the core of strong, independent institutions that all democracies need. For this reason, USAID has expanded its base of local partners to explore and implement local solutions to local problems.

Our new initiative comprises seven different projects, six of which are implemented by local partners. They include three brand-new new partners for USAID. In terms of financial support, compared to previous efforts, this new initiative will more than double the funding available to local partners. The seven distinct projects will work together as one program unit to ensure elections are conducted on a level playing field and politics are more responsive to the needs of citizens.

## PROGRAM COMPOSITION

At the center of USAID's new initiative is the Consortium for Elections and Political Process Strengthening (CEPPS). Under CEPPS, the International Foundation for Electoral Systems (IFES) supports electoral reform and administration, the International Republi-



can Institute (IRI) supports political party development, and the National Democratic Institute (NDI) supports civic organizations and their ability to advocate their interests. USAID does not choose favorites; our work aims to engage all significant, democratically oriented parties.

Two local partners, the Georgian Institute of Politics (GIP) and the Eastern European Center for Multiparty Democracy (EECMD), will carry out activities to bolster civic participation in political processes. The remaining four local partners will conduct oversight functions including election observation, political finance monitoring, and electoral litigation monitoring. These partners include: the Georgian Young Lawyers Association (GYLA); the International Society for Fair Elections and Democracy (ISFED); the Public Movement Multi-National Georgia (PMMG); and Transparency International Georgia (TI).

Georgia is a dynamic country that has made considerable progress since regaining independence. We believe this new USAID initiative represents a significant new opportunity for Georgian society to lead its own democratic development.

## ABOUT USAID IN GEORGIA

As the leading development agency of the U.S. government, USAID supports Georgia to build the capacity to finance, plan, and implement its own solutions to development challenges. USAID has worked in Georgia since 1992, supporting the country's transformation into a developing democracy that is increasingly integrated into Western political, security, and economic institutions. More than 30 USAID programs stimulate inclusive economic growth, develop democratic governance, enhance energy security, and foster social inclusion. **F**





## THOUGHT LEADERS

DR. DUYGU ERTEN - DEVELOPMENT STRATEGY

# Cities: Health & Wellbeing



**OVER THE LAST DECADE,** green building rating systems and standards have made significant strides towards the transformation of the building industry. This has resulted in a rapid expansion of environmentally conscious building and planning practices throughout the world. Chronic health conditions are rising globally, and they cause a heavy burden. Yet many of these conditions are preventable and strongly influenced by building environments. Given the extent of ill health caused or worsened by air pollution, strategies to reduce exposure within buildings and improve urban air quality are also highly impactful. Providing access to greenspaces, affordable healthy food, and leisure facilities can be integrated at multiple scales of development to support both health and well-being. The last few years have seen a marked growth of the health and well-being agenda in the property sector (Rics, 2018). Researchers have investigated the health benefits of sustainable buildings.

ALLEN and colleagues reviewed 17 case studies of the health impact of green buildings (mainly certified with LEED). The studies included a range of subjective and objective measures of health across different building types including housing, hospitals, offices, universities and factories. Overall, the authors concluded that the evaluated green buildings were better for people's health than conventional buildings. This was due to the buildings' superior indoor environmental quality (in terms of environmental contaminants and air quality).

There are several standards currently in use internationally aiming to improve the health and well-being impact of new and refurbished buildings including: BREEAM, LEED,

Green Star and Living Building Challenge. New building standards focused specifically on health include the WELL Building Standard (for new and refurbished buildings). These standards include some topics covered by green building standards, such as indoor environmental quality, and introduce a few additional topics related to the health impacts of building location, design, as well as operation and human resources policies. The WELL Community Standard aims to impact individuals not just within the walls of their home or workplace, but throughout the public spaces where they spend their days. A WELL community functions to protect health and well-being across all aspects and areas of community life. The vision for a WELL community is inclusive, integrated and resilient; with a strong community identity fostering high levels of social interaction and engagement. Resources in a WELL community - natural, human and technological - are used effectively, equitably and responsibly to meet the community's current and future needs and priorities. The WELL Community Standard is made up of 110 features within ten concepts. Those familiar with the WELL Building Standard will notice that the seven concepts have been expanded to ten total concepts within the WELL Community Standard: air, water, nourishment, light, fitness, temperature, sound, materials, mind and community (<https://www.wellcertified.com/>).

There is one precondition in each concept, while the remaining features are optimizations. Most features address the community at large - outdoor environmental conditions, the presence of amenities and the geography of the project - and a small number apply rules within the build-



ings themselves. The program is created with flexibility and adaptability to cover various types of ownership and development; including public, private and joint public-private developments, and for both new and existing communities. Project owners may use their discretion to determine project boundaries; however, once selected, the certification requirements must be applied consistently across the premises, including to properties under separate ownership (unless indicated otherwise in the standard).

The WELL Community Standard has three levels of certification, each with a minimum point threshold: 50 for Silver, 60 for Gold, and 80 for Platinum. Projects accumulate points through optimizations (one point each up to 100); innovations (up to 10 points); achieving healthy building certifications (up to 30 points); and achieving green building certifications (up to 10 points, but not exceeding 30 points combined from healthy and green certified buildings).

To ensure that all parts of the community

are addressed as spaces that hold the potential to deliver health and wellness benefits, WELL Community certification requires some buildings within the project's boundaries to be certified under a qualifying health and wellness building standard, and this provides projects with the opportunity to earn additional points for going above the minimum. All projects must contain at least one health and wellness certified building. For new developments, health and wellness certified buildings must represent at least 15% of total building count or of total gross building area (to a project's benefit) that is owned, operated or managed by the project owner. Existing communities pursuing WELL Community certification are not held to this requirement. Given that planetary health and human health are inextricably linked, WELL standards also aim to be interoperable and synergistic with green rating systems. Thus, projects with buildings certified under a qualifying green rating system also can earn up to 10 points, with the combined green and healthy certified

buildings earning up to 30 points.

Health and wellness certification systems must be available online at no cost, demonstrate a transparent development process, include post-occupancy or post-construction evaluation of on-site indoor environmental quality (IEQ) conditions, and involve a project review by independent, third party-certifying bodies.

**APPROVED CERTIFICATIONS CURRENTLY INCLUDE THE FOLLOWING:**

***Health and wellness certifications:***

WELL Building Standard (IWBI), Living Building Challenge (ILFI), Petal Certification (ILFI): any petal combination that includes Health and Happiness

***Sustainability certifications:***

LEED (US-GBC), BREEAM (BRE), Green Star (GBCA), Petal Certification (ILFI): any petal combination that does not include Health and Happiness, Zero Energy Certification (ILFI), HQE (Certivéa), The Home Performance Index (IGBC) <sup>F</sup>



## THOUGHT LEADERS

PATRICK AVATO AND MARCO SORGE - CURRENT EVENTS

# The Promise of Local Governments Reforming Themselves

The International Finance Corporation's (IFC) Cities Initiative Leads discuss how local governments can leverage private capital and innovation to address infrastructural needs.



PATRICK AVATO



MARCO SORGE

**BY 2050, MORE THAN 70% OF THE WORLD'S POPULATION WILL LIVE IN CITIES.** This presents both challenges and opportunities for the rest of the world, as well as for Georgia. Over the past several years, Georgia has granted increasing autonomy and recognized the powers of local governments. Last year, the central government announced reforms that will make local authorities more responsible for developing infrastructure and improving local services. This creates unprecedented opportunities for cities to take the future into their own hands and better the lives of citizens.

Improving public transport networks, modernizing water and waste management systems, introducing smart technology - such as for traffic management - and strengthening resilience to climate change all require major investment in urban infrastructure. Having said this, the scale of such investment is often more than public budgets can bear. Unlocking private sector capital can help fill the disparity in investment and combat a challenging financial environment. IFC is convinced that responsible fiscal decentralization within a supportive regulatory and policy framework of sound public financial manage-

ment are the critical ingredients for overcoming the investment gap. However, local authorities will need to work diligently to improve their creditworthiness and design financially sound projects that they can realistically deliver.

For the past fifteen years, through IFC's Cities Initiative, we have partnered with cities all over the world, helping them develop projects through advisory support and financing. Our primary focus is to help cities raise investment directly. We do this by leveraging their balance sheets, thereby complementing scarce government funding with commercial or private financing. For example, we take risks just like any commercial bank, providing loans directly to cities and companies without guarantees from the central government. We also help cities issue municipal bonds and finance private providers of urban services. We leverage the full capabilities of the World Bank Group, bring in private sector expertise, offer project structuring and development support for Public Private Partnerships (PPP). Additionally, we offer community outreach programs and capacity-building to facilitate the implementation of infrastructural projects. Also, we convene



private players, financial institutions, technical experts, developers, and others to share their knowledge across regions. In summary, by including the private sector we help cities gain expertise and raise additional financing beyond what the government can provide.

In Belgrade in Serbia, for example, we supported a waste-to-energy 'PPP' project that is among the first large-scale demonstration of a bankable, private sector-led waste management solution in an emerging market. This project is an excellent illustration of successful engagement by the entire World Bank Group. It built on prior engagements by IBRD (The International Bank for Reconstruction and Development) to improve the efficiency of Serbia's state-owned utilities and on IFC-led reforms of Serbia's 'PPP' and renewable energy legislation. IFC not only helped structure the project and the tender, but also arranged a long-term financing package from other development institutions,

which were supported by MIGA political risk insurance. Once operational, the project will provide significant environmental, social and climate benefits; enabling the closure and remediation of the largest open dumpsite still active in Europe, the construction of a new sanitary landfill, and the usage of municipal waste and landfill gas as a low-carbon source for heat and electricity.

In Izmir in Turkey, for instance, we have supported over ten projects over nearly a decade of partnerships, which have contributed to a tangible improvement of transport and sanitation systems. As another illustration, in Bogota in Colombia, IFC is working to support the construction of an aerial cableway, the "TransMicable", which will connect 669,000 inhabitants in the mountains of Ciudad Bolivar—one of the poorest areas of the city— to the urban center. We also developed a community engagement program and helped the city comply with the highest international

environmental and social standards. The cable car project reduces commute times from two hours to thirteen minutes; increasing access to jobs for many low-income residents. The project also allows passengers to pass over unsafe neighborhoods, which together with a revitalization of public spaces in Ciudad Bolivar— including parks, gardens, and community centers—will significantly improve the quality of life for Bogota's citizens.

IFC's vision is to build long-term strategic partnerships with cities through collaborations with mayors and municipal leaders to build inclusive, resilient, and sustainable cities that "work"; as well as, open new markets, and create opportunities for all. Backed by Austria and Switzerland, our donors in Europe and Central Asia, we are ready to support cities in Georgia.

For these reasons, we are hopeful about the reforms in Georgia and the many opportunities that lie ahead. **F**



# REAL ESTATE TRENDS 2019

Real estate is becoming an increasingly consumer-oriented business and by connecting more effectively with customers, pioneering new ways of living and working, and developing innovative solutions to the challenges facing urban communities, your business could transform its brand image and boost its market value.

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# pwc

## CONFIDENCE AND CAUTION

The real estate sector continues to deliver strong returns around the world. Although there have been some late-cycle jitters and divestments over the past 12 months, money continues to flood into this sector.

That's one key finding of PwC's report *Emerging Trends in Real Estate: The Global Outlook for 2019*.

It would therefore be reasonable to ask 'Why change a winning formula?'

The answer: Because the rules of the game are changing.

- 1) *Real estate businesses are competing more consistently as customer-oriented enterprises.*
- 2) *Businesses see the real estate they occupy as critical to attracting and retaining talent and increasing productivity.*
- 3) *Awareness of tenant well-being and the social and environmental impact of real estate is increasing.*
- 4) *Quality of service (amenities) and of place (infrastructure as well as setting) are becoming more important than the size and design of the space.*
- 5) *The risk of rapid obsolescence, prevalent in retail, is now creeping into other areas of real state.*

## COMING OUT OF THE SHADOW

The challenge for many real estate businesses is that brand recognition engagement and loyalty with the occupier of a building have never been priority areas in the sector. This may eventually change, but few people currently know who owns the building in which they work, learn or shop. This detachment means that customers seldom make the connection between their daily lives and the real estate industry, despite interacting with it almost every moment of the day. This has implications that ultimately affect your business's ability to meet key priorities, such as nurturing strong loyalty amongst occupiers and 'sticky' tenants, winning support for further development from policymakers and planning authorities, and avoiding the overregulation that comes with being misclassified as a financial enterprise.

Related concerns centre on reputation and trust. In PwC's CEO Survey, three out of five real estate chief executives were worried that lack of trust would affect their growth prospects.

Technological advances are also raising the profile of real estate companies in ways that can seem challenging at first glance — but could lead to opportunities.



For example, increasingly advanced data analytics are giving people more information about a building's health and environmental impact, and social media has allowed negative stories to quickly spread. This greater level of transparency is often seen as a threat to the industry, but it actually represents a fundamental shift in the value proposition of a real estate business.

For example, what if the people who worked in an office building became increasingly aware of the air quality in the property? This could affect the amount that a tenant would pay to

occupy space there.

From a sustainability perspective, real estate businesses have started over the last decade or so to embrace the challenge of reducing their impact on the environment, with a focus largely on energy use and carbon emissions. The catalyst behind many of these efforts has been pressure to report and demonstrate good governance to investors. Although reporting and transparency have improved, the level of sophistication hasn't yet reached a point where operational excellence in reducing energy usage or carbon emissions, for example, translates to higher performance recognised by investors. Now, with access to data, investors will be able to target their decisions more precisely, and real estate enterprises will be able to address concerns and raise the quality and appeal of their property much more effectively.

This will affect the standing that real estate companies have in their local regions. "Because of the way these things have worked," Craig McWilliam, chief executive of the property business Grosvenor Britain & Ireland, has said, "communities think development is something that happens to them." But that contentious way of managing relationships in the industry, he says, is poised to change.

Viewed together, these developments underline the extent to which tenant welfare and social and environmental awareness are no longer 'tick box' corporate exercises, but bottom-line imperatives that can't be ignored. Tackling these issues thus becomes a huge opportunity for reinvention and differentiation. If your business is associated with creating greener, safer and more vibrant cityscapes and solving the problems facing urban communities, such as shortages of affordable housing, customers are much more likely to become advocates for your brand — and your standing with policymakers and development opportunities will reflect that. There are also opportunities to create a new seam of value. Just as the costs of material and manufacturing represent a fraction of the full value of a smartphone to a consumer (especially when you add in the facility of its design, its range of

possible apps, and the value of its community of users), the move to a more customer focused, service-oriented and brand conscious real estate business model could boost market multiples to many times the value of the physical asset.

## FINGER ON THE PULSE

So how can your business gain the customer recognition, insight and trust to prosper and exploit the long-term value opportunity within this evolving marketplace?

**Real connection:** Think about which parts of the value chain you want to own and serve directly (e.g., tenant/occupier) and where you would prefer to assign someone else to do this on your behalf. Although a service company might be well equipped to engage with customers, it's important to think about how many layers you want to put between you and the ultimate consumer.

**Real innovation:** Data is clearly important and the technology to harness it is advancing rapidly in areas regarding environmental quality and the efficient use of space. Focus on the consumer touch points that enable you to pick up on the social, cultural and technological trends that are shaping demand.

And you don't have to respond only to emerging trends — you can also shape tastes and lead the market. This ability to understand and influence consumer needs could be a game-changer for the real estate industry, in which huge investments are committed up front to develop buildings that will be meeting the occupation needs

of customers many years into the future.

**Real inclusion:** To develop a relatable brand and confident vision, it's important to ensure your workforce has the diversity and inclusivity to reflect and understand the customers and communities you serve. As real estate evolves into a truly customer-driven business, it will require a more sophisticated approach to understanding the complex needs of different customers. And as the range of services and opportunities increases, business with diverse talent — staff from different backgrounds with a wider range of skills — are more likely to thrive. This represents a cultural shift — although the people coming into the industry are increasingly diverse, senior management is less so.

## SEIZING THE PRIZE

Real estate is at a crossroads. The more conscious people are about the owners and managers of the buildings they spend their lives in, the greater their expectations will be. And the more real estate comes to be seen as a consumer product with a profound influence on the quality of people's lives, the higher the rewards will be for businesses that get the connections and outcomes right.

If you as a real estate company executive can create a trusted brand that is synonymous with quality, tenant well-being, environmental awareness and support for the community, whilst maintaining the traditional strengths of an asset-backed business, this would be a huge source of differentiation and value. **S**

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## DISCLAIMER

Extract from PwC's 22nd Annual Global CEO Survey

PwC conducted 3,200 interviews with CEOs in more than 90 territories. There were 70 respondents from the real estate sector, and 22% of real estate CEOs reported an annual revenue greater than US\$1bn. You can find other CEO Survey reports here: [ceosurvey.pwc](http://ceosurvey.pwc)

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with more than 250,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](http://www.pwc.com).

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# Why Building Sustainable & Resilient Cities Matters



"Sustainable and resilient cities are crucial for the future of the urban, built environment and for the well-being of our natural habitats. The entire design team—that is to say all stakeholders—are tasked with continuing efforts to minimize, reduce and ultimately eliminate the negative impact a building may have on the environment. Additionally, when we build, we must build with purpose to create cities that are desirable and enjoyable places that people want to call home. Only then can a city be resilient, lasting, stable and sustainable."

**Chris Lepine**  
Associate Director  
Zaha Hadid Architects



"The rapid economic and social change – clearly visible in emerging economies – is manifested by the increasing number of people moving to urban areas. Fast-growing cities will present a wider range of critical pressure on a number of stakeholders, including central and local governments, development companies and investment funds, as well as NGOs, social activists and other citizen representatives to jointly introduce sustainable development initiatives that will have major implications on real estate investment. At PwC, we are proud to be actively involved in supporting different stakeholders in designing sustainable patterns of integrated urban development and transform everyday lives. The main purpose of PwC is to build trust in society and solve important problems such as these."

"International forums like this can certainly act as a catalyst for building more sustainable and more resilient cities through knowledge sharing and collaboration; we are looking forward to this event."

**Krzysztof Sakierski**  
Director in the Real Estate Team  
PwC, Poland



"If we want to live and practice our business within our cities, we have to preserve them, and the best way to do that is to reimagine them within the context of a sustainable future. That is why it is our duty to create a resilient and welcoming urban landscape that offers both shelter and a sense of belonging to its residents."

**Walid Moussa**  
World President of FIABCI

"Climate change is a global challenge that the hospitality industry must also address. Rising carbon emissions are accelerating climate change with considerable impact across the hospitality sector; extreme weather events increase the cost of operations whilst simultaneously decreasing the value of a destination."

"The landmark 'Paris Agreement' and the UN 'Sustainable Development Goals' of 2015 provide both a framework and an urgent call to action against building-related emissions. The 'Net Zero Carbon Buildings Commitment' by the World Green Building Council, states that all new buildings must be net zero carbon by 2030 and all existing buildings by 2050, in order to decarbonize the construction sector in line with the 'Paris Agreement'. The focus of both the real estate and hospitality sectors is essential in building sustainable and resilient cities around the globe."

**Debra Sivertsen**  
General Manager  
Radsson Blu Iveria Tbilisi Hotel





"Today the whole world is embracing the change toward sustainability. But we still need to take huge steps to reach a satisfied level."

"In my opinion, sustainability is about sustainable schools, healthcare, people, the environment, and businesses. We should all try to minimize waste, energy, air and water pollution."

"I'm very lucky to live in a beautiful city like Barcelona that cares about this subject. We are proud to say that today more than 1,000 organizations are committed to a responsible city where all the inhabitants are trying their best to adopt these new ways of life."

**Felice Tufano**  
**CEO Proyecto Casa**  
**FIABCI International Marketing & Networking Committee**  
**International coordinator of FIABCI Spain**  
**President of Apialia Gaudi**  
**COAPI joint committee**

"Real estate and hospitality are one of the most dynamic sectors of Georgian economy. The 2004 to 2007 boom years were the catalyst for real estate development in Georgia as modern residential, retail and office facilities started to emerge, while the tourism boom from 2013 further lifted demand. We expect that demand for both residential and tourism facilities will increase in the coming years, driven by healthy demand fundamentals. We also see that the supply side is gradually capturing market characteristics, driven by the changing lifestyle of locals and the need to improve the quality of tourist services. Consequently, the next phase of real estate development in Georgia requires application of modern standards in construction and development."

**Eva Bochorishvili**  
**Head of Research**  
**Galt & Taggart**



"To build sustainable and resilient cities we need to implement a holistic approach to urban planning and development. A greener real estate sector, including energy efficiency in buildings, reducing the environmental impact of buildings, which in turn will increase the quality of life of people."

"The good news is that our country has committed itself to joining the European Energy Union in accordance with the relevant EU directive that was signed into Georgian law. The directive on 'Energy Efficiency of Buildings' aims to help increase energy efficiency in buildings, which will reduce greenhouse gas emissions, as well as have many other positive effects, such as creating jobs in the construction sector, development of technology, reducing air, water and soil pollution, improve health and comfort of the population as well as reduce energy consumption costs. This initiative has ambition to overcome sustainability-driven challenges in the real estate sector and construct new buildings in Georgia with zero-energy by 2028."

**Lika Kardava**  
**Founder and Managing Partner of Property Georgia**  
**Co-founder of FIABCI Georgia**



"Today, more than half of the world's population lives in urban areas. Considering urbanization growth, building sustainable and resilient cities is key to successful development. Sustainable urban development and resilient cities is a top priority for FIABCI Georgia and Property Georgia. To this regard, we have a strong support from FIABCI. Within the framework of the 'New Urban Agenda' and Sustainable Development Goals (SDGs), UN-Habitat and FIABCI are cooperating for the implementation of the City Prosperity Initiative (CPI). The objective of CPI is to assess sustainable urban development of cities. It's also important to mention that FIABCI published a book 'The City We Need is Affordable'. The book features large scale affordable housing developments from around the world."

"Sustainable cities mean efficient transportation, taking care of the environment, affordable housing and lots of other components that overall improve quality of life. FIABCI brings together professionals from the real estate industry to share innovative solutions for better cities."

**Kate Tabatadze**  
**President of FIABCI Georgia**  
**Managing Partner of Property Georgia**



COVER STORY

TINA KVINTRADZE

# THE PATH TO ACHIEVEMENT

BY ELENE CHOMAKHIDZE  
PHOTOS: KHATUNA KHUTSISHVILI





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**Tina Kvintradze** turned her 12 years of experience working in the Georgian banking industry into the basis for her own business. In 2015, she established the investment and consulting company 'Grow Capital' together with a like-minded American individual with considerable amount of experience in the investment sector. The company specializes in investment and asset management consulting; it is currently represented in Georgia and the United States under its subsidiary Grow Capital US .

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**R**ight from the start of the interview, the managing partner of 'Grow Capital' - Tina Kvintradze - confidently explains why she chose a path that involves dealing with serious and scrupulous matters such as offering rewarding investment opportunities to the potential investors, managing their assets and helping them to realize their investment objectives. Her career development began at 'TBC Bank'; where according to her, she spent one of the most interesting and fruitful phases of her career.

"Here I grew professionally and acquired numerous skills that have helped me in my life and my career. I met a multitude of people- various business leaders, as well as successful and bright individuals, from whom I learned a lot and they ultimately became my friends."

From working on basic positions at TBC bank, Tina Kvintradze rose through the ranks to become the Director of the bank's most successful branch. Now as a successful independent manager and businesswoman, she believes that holding the role of Deputy Director, and later that of Director of the branch, was one of her important challenges, as she was in charge of numerous employees and had to think not only about the business, but also about her team members, their growth and their motivation.

Tina herself says that business relations with the investment and consulting firm 'Sovereign Man' and its founder Simon Black greatly influenced her own business activities

on the initial stages. 'Sovereign Man' cares for the financial freedom of its clients and offers them diverse, interesting and profitable investment opportunities on a global scale.

"This young man was an inspiration for me, as I saw how many successful people trusted him. I, also, saw the influence he had on experienced individuals through his sharp mind, precise calculations and the opportunities he offered people." Simon Black is one of numerous individuals whom Tina Kvintradze met while working at TBC. Tina was invited to his conference in the Chilean capital, Santiago. In front of an audience of 600 guests, Tina spoke about Georgia, its enormous potential, Georgian banking sector and its diverse financial services. On the back of her successful performance at the forum, she later took part in several similar international events in the United States and elsewhere. It became clear that interest towards Georgia was growing, particularly from Americans, many of whom would have previously struggled to point to the country on a map.

According to Tina Kvintradze, there was another period in her career that finally convinced her to take up investment consulting. In 2015, she travelled to the United Kingdom to do a two-year master's course and met management representatives from large British and international companies such as Vodafone, Citi Bank, Barclays, JP Morgan and others, who inspired and emboldened the founder and managing partner of 'Grow Capital'.

"I will never forget my time in London; I met so many key decision-makers from interesting and successful international companies. Throughout the studying process, these people shared their stories, challenges, mistakes and achievements. I ultimately decided that on the back of having accumulated numerous contacts and acquired a certain degree of experience in business service, I would start my own business, where I would use my international contacts and be useful for Georgia - my small home country with huge potential."

While working at 'TBC Bank', Tina accumulated a wide range of contacts, including both- people who were looking for investment, and those looking for investment opportunities. Having also familiarized herself with the American consulting system and seen the interest from her international contacts, she decided to radically change her career priorities and use her newly acquired master's in business administration to found her own investment consulting company 'Grow Capital' in 2015 with the help of several reliable and professional international partners.

The business initially consisted of five people, including Tina's Georgian colleague with banking experience, a corporate lawyer and an Australian business analyst. Now Tina is proud that recently she has partnered with her mentor and influencer, successful American businessmen - George Olsen. Mr. Olsen had an extensive career in the securities business in Beverly Hills, California, and Tokyo, Japan. Changing careers at the utopia of his securities business he entered the oil & gas business and formed Southern Oil & Gas Co., which became one of the largest independently owned oil and gas companies in Northwest Louisiana. After selling Southern Oil & Gas Company George helped other business entrepreneurs as a co-owner, director, educator in the forming of thirty-four other companies. Also, Bright young American businessman - Nick Gordon joined Grow Capital as a co-founder short while ago. Simultaneously he is a co-founder of a venture management private equity firm in the US. Nick has over 15 years experience in sales, management, holding various positions in multi-billion dollar companies. This new relationship expands Tina's already extensive global network into North America, Asia and the MENA region.

Tina notes that the key component of her success is having a strong team around her. The few people that the company is built on have a wealth of experience, professionalism and skills. Their roles and duties are diverse, but

they have one common goal of creating success stories and having a long-term impact on the growth of individual investors, entrepreneurs and businesses of various origins.

"We are constantly on the lookout for interesting business opportunities, startups, existing businesses, as well as already profitable businesses that still have room for growth. Initially we meet with representatives of these businesses, study their potential and possibilities. Then we bring in Peter, our chief business analyst, who is a great asset for our company. He has international experience and has examined many kinds of businesses."

A vital part of 'Grow Capital' is the legal firm SNLG, which is mainly operating in Georgia and the United Kingdom; conducting activities in the fields of corporate banking, financial and commercial law, as well as arbitration and legal disputes. This team of professionals has helped 'Grow Capital' arrange numerous successful deals.

Tina regards the recruitment of reliable partners with a good reputation as one of the company's greatest achievements. These include the international financial institution Equifin. The International Financial Institution - Equifin Holding (formerly known as Continental CC Capital), was established in 2012 and since has been providing services as an online microfinance company. Currently, it has an operational presence in four countries. The holding is steadily increasing its market share in core markets of operations - Spain and Ukraine, however, at the same time it intends to expand its business activities to other countries and regions while maintaining the highest standard of service for its customers. One of the key advantages of working with Equifin is the holding's transparency, credibility, as well as permanent strive for excellence and maintaining the company reputation. Grow Capital, along with Equifin Holding, has raised several million dollars in financing from foreign investors, whose satisfaction has been monitored permanently by both Grow Capital and Equifin.

Another one of Grow Capital's significant partners is the German internationalization and investment consulting firm 'GoodbyeMatrix', whose founder Sergio von Facchin and his team are helping clients protect their assets, residency, second citizenship and company structure based on the flag theory concept. In cooperation with 'Grow Capital', 'GoodbyeMatrix' offers its customers diverse and profitable investment opportunities in the fields of real estate and finance.

Another important partner for 'Grow Capital' in the field of real estate is the international real estate expert platform



and hub 'Property Georgia'. The Grow Capital team has been supporting 'Property Georgia' by being involved in organizing significant events such as the annual international real estate and hospitality forum 'Building Sustainable & Resilient Cities'.

Despite the above, satisfaction and loyalty of existing clients remains the company's main achievement for Tina Kvintradze.

"When we offer a project to the investor, we make sure that we follow the project right until the end, meaning that it is not a one-off deal, and we are not simply playing the role of a messenger. We are responsible for ensuring that the business is a success for both parties."

In 2018, 'Grow Capital' expanded its portfolio by moving into the field of agriculture for the very first time. Tina Kvintradze saw great potential in the Northern Californian organic micro-greens production company Grace Greens, as healthy and organic food is currently enjoying considerable popularity in the United States, and in California in

tors opportunities in the financial sector alone. She, therefore, now sees the HoReCa industry as another interesting challenge for her.

"The HoReCa system is still in the process of establishing itself in Georgia. However, its potential is massive, especially in the light of the rapidly increasing tourist numbers. Our next project is, therefore, connected to this particular industry."

In Tina Kvintradze's opinion, the prospect of success and the possibility of growth is only to be in constant tonus. In the spirit of pragmatism and patriotism, she wants to see more local projects in her business portfolio. However, plans for wider international expansion of her business are currently in place, especially now that Grow Capital recently expanded into the United States under the name of its subsidiary Grow Capital US, which is primarily focused on supporting the institutional growth of the cryptocurrency marketplace across her broad global network.

"Naturally, I was often offered to stay in England or the

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***"We are constantly on the lookout for interesting business opportunities, startups, existing businesses, as well as already profitable businesses that still have room for growth."***

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particular. According to her, the company achieved rapid growth after receiving funding, and is already supplying dozens of food businesses.


"I began working at the age of 18. My career path was long and difficult, but I must admit that I was fortunate with regards to the companies that I crossed paths with. I must particularly highlight the TBC Bank family, where I grew up."

'Grow Capital' currently operates under the one-window principle. As Tina pointed out, her company's service does not end with the conclusion of a deal. In most cases, cooperation with investors continues when the deal is signed, in order to ensure that the Grow Capital team's preliminary calculations are realized.

Tina Kvintradze believes that there are no limits to how far her successful consulting firm can develop in any area of business. Although 'Grow Capital' had a narrow focus at the start, the existing demand convinced her that the company should not limit itself to offering the inves-

United States, and I thought about it carefully. However, modern technology has rendered a person's physical location insignificant - business can be conducted from anywhere. Our small country has such a great potential that in my view, it is also possible to implement interesting projects from here."

Finally, when asked whether being a woman in such a diverse business presents any difficulties for her, she happily states that she has personally never encountered any obstacles. On the contrary, she has been able to take advantage of numerous opportunities and realize many goals through her purposefulness, fearlessness, hard work and positive attitude.

"My daughter Anastasia is nine years old and is the main inspiration in my life. I am already teaching her to chase her childhood dreams. She is already a big enough girl to know where the path between the goal and success lies. My life is my future, and my daughter is the main component of this future, and a major inspiration for me". 



# ENTREPRENEURS

RENTALS





# ELITE BROKER

Rentals has helped premium-class customers in Georgia find the perfect properties for the past ten years. But for **Zurab Eristavi**, the 25 embassies and 50 international companies Rentals has helped so far are just the beginning.

AUTHOR: ELENE KVANCHILASHVILI  
ADDITIONAL REPORTING: SALOME CHIPASHVILI  
PHOTOS: KHATUNA KHUTSISHVILI

Rentals is the clear leader in Georgia's residential and commercial real estate market. But until recently, the company kept a low profile, counting on its reputation as the go-to realtor for embassies and international companies to open doors and bring clients. Now, however, Rentals founder Zurab Eristavi is talking to Forbes Georgia about the secret of their success.

"We have quite a different way of operating," Rentals founder Zurab Eristavi tells Forbes Georgia. It is evident that he has invested a substantial amount of time, enthusiasm and funds into this business. As a result, he is very keen to ensure that I clearly understand the essence of his business so I can explain it to you properly.

Mr. Eristavi founded Rentals in late 2008 together with his business partner Nana Dvali. They decided to focus on premium-class real estate rentals (apartments, houses, offices and commercial spaces). "It was evident that there was a shortage of high-quality, transparent and fair service in this field. So, I was looking for someone with experience, with whom I could implement my vision, and I was lucky enough to meet Nana Dvali. That is how Rentals was established!" explains Zurab Eristavi.

To its clients, Rentals is much more than just a real estate agent. First and foremost, it is a trustworthy consultant. Its role does not end when an apartment, home, office or commercial space is found - the deal is only completed when the new owner/tenant finally moves in and feels happy about the property. Rentals manages every detail up until that point.

"We virtually only have corporate clients," says Zurab Eristavi. That niche has allowed Rentals to operate under the radar, without too much publicity for the past ten years.

The company's clientele can be divided into two main groups: international companies and the diplomatic institutions. Rentals already has a long-standing relationship with embassies in Georgia. It started with just two embassies as clients and now works with 25, including but not limited to the embassies of the European Union, USA, France, UK, Switzerland, Sweden, Neth-

erlands, Austria, Italy, Poland, Norway, Turkey, Brazil and Japan.

Furthermore, the company has established firm ties with various business associations- AM-CHAM, DWV, BAG, EBA and GNARE - something which Mr Eristavi views as a significant achievement.

The company is especially proud of its most recent deal: working with the European Union embassy to secure a new office. The EU embassy will soon move into its new office home inside the CH64 premium-class business center at 64 Chavchavadze Avenue. This brand new, 20-storey business center has a total area of 14,000m<sup>2</sup>, and is part of a special brokerage agreement signed by Rentals. This deal is especially sweet because it has taken eight years for the EU embassy to find the perfect quarters. However, Rentals was able to find the perfect location and the EU embassy will take up residence on the 6th, 7th and 8th floors of the building. Rentals is currently negotiating with five other embassies and several large international companies about space in the same building.

Apart from the European Union, Rentals has also found space for the embassies of Poland, Qatar, Latvia and Netherlands. The company also closely cooperates with international companies. Rentals provides consultancy services to more than fifty global businesses. "We are one of the largest suppliers of clients for nearly all Class A and Class B business centers. Our high-profile corporate deals include KPMG, LG, Bosch, Heidelberg Cement Caucasus, Clean Energy Georgia, Majorel and MDLZ Georgia," states Zurab Eristavi.

Mr. Eristavi views each international company not only as a client to whom he supplies services, but as an important source of employment in our country. "Georgia is gradually attracting the attention of large international employers. We are one of the first points of contact for these companies' representatives. We are, therefore, providing a full range of activities, from registering the company to buying furniture. Apart from the business side of things, we also try to personally introduce these companies to core Georgian values, our hospitality and our main attractions.

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This adds value to our service, and in this way we ensure that their first of Georgia impressions are positive. That strengthens the companies' desire to conduct business in this country," Mr. Eristavi adds.

For instance, he noted that Rentals helped the German company Arvato (now Majorel) establish itself in Georgia two years ago. "We are particularly proud of the fact that Georgia was being considered as one of several alternatives and came out on top. Arvato's entry to Georgia created around hundreds of jobs in Tbilisi alone, but we are especially delighted that the company also rented an office in Kutaisi, employing a great number of people in this city. When it comes to creating job opportunities for young people, these companies play a crucial part - not just in large cities - but in smaller ones too."

Official statistics clearly show us that the highest unemployment rate in Georgia is among

to be fundamentally changed. We offer solutions by taking the number of staff, the specifics of the job and the safety requirements into account." Mr Eristavi notes that this strategy is how the Georgian firm managed to establish itself in a competitive environment and create such long-term partnerships.

"Anyone who has ever searched for an office or an apartment knows how many questions need to be answered along the way: location, space, daylight, safety standards, budget, parking and more. Rentals is a single point of contact for all these questions. We must also consider the possibility of not being able to find a client's preferred alternative, in which case this lengthy process might have been in vain." According to Zurab Eristavi, in ten years of interacting with clients, he can count these cases on just one hand: "We have never been told that we wasted someone's time."

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***“What we have to decide now is whether to remain a purely Georgian company (something that we are genuinely proud of), or whether to bring in an international brand.”***

the 20-34 age group. This is when a person has the most potential and is most open to acquiring new skills and knowledge. It is completely understandable why Zurab Eristavi attaches such a great importance to opening doors for these companies, and to his own role in this process: "No other sector will give us the opportunity to find employment for young people as quickly and effectively as the international companies that are our partners today."

The management team at Rentals prioritizes communication with clients, listening to them and understanding their needs. "Often, when we listen to the clients' initial requests and later think them through, we conclude that they need

Turnover in the Georgian construction sector has been steadily growing in recent years. Although there has been a noticeable slowdown since 2016, this sector has no doubt developed. Wherever you look in Tbilisi; you can see an office, or an apartment building being constructed -sometimes both under the same roof. This trend allows Rentals to provide clients with a broader choice and increased access to modern real estate. On the other hand, as Zurab Eristavi explains, more construction does not necessarily make things easier for his company: "At times, it is the other way around. Our clients demand different standards. For them, chaotic construction means noise, air pollution, spoiled panoramic



views and other forms of discomfort. Consequently, a lot of construction is not tantamount to expansion in the niche that our customers need.”

Another interesting market factor that we touch upon during our conversation is the influence that current business regulations, real estate prices and other trends can have on a company like Rentals. According to Mr. Eristavi, global budgets are affected by global trends. “For example, the 2008 global financial crisis began affecting Georgia in 2009. Embassies and foreign companies were then forced to tighten their belts. It was truly a very difficult period for our sector.”

He notes that the company’s founding policy of honesty helped it thrive despite the challenges. “The key to our success is that we never lie. We always tell the facts as they are. We never put our reputation on the line. This approach reflects well on the company in the longer term: a grateful client will always return,” Mr Eristavi states. In fact happy clients express their gratitude through bonus payments and referrals.

“Our approach has allowed us to reach the point that the developed world reached a long time ago. This is the practice of exclusive contracts with real estate owners. Today, it is difficult to convince people in Georgia that it is beneficial for them to do business with one company. However, we still manage to do this. We are proud of the fact that 90% of our exclusive contracts have been converted into actual deals,” states Mr Eristavi. He cites specific examples: Hillside Residence (an 8800m2 building in the Sololaki district), the top two floors of the ProCredit Bank building, and the land plot owned by the Swiss Embassy - all of these were the subjects of exclusive contracts. “Rentals always involves its colleagues in its exclusive projects. We try to achieve our goals through synergy.”

Zurab Eristavi is particularly proud of the occasions when his company’s efforts are appreciated and rewarded. “The Georgian National Association of Real Estate, which unites large number of brokerage firms that operate in this sector, decided to organize an annual awards

ceremony recognizing companies that have been successful in various areas of real estate. Rentals received the ‘Best Company of the Year’ award twice in a row, in 2017 and 2018. The assessment process for the award is based on three criteria - revenue, the rating given to your firm by your colleagues from other brokerage firms in the sector, and online voting through social media. In 2017, we also won the ‘Best Broker prize,’” he says.

However, the local market is changing, and Zurab Eristavi is at a crossroads about how to develop Rentals. It is important to choose wisely, as finding the right development path may become more difficult in the future. I never asked him why he agreed to do this interview, but perhaps he feels that the time has come to introduce Rentals to a wider audience.

“What we have to decide now is whether to remain a purely Georgian company (something that we are genuinely proud of), or whether to bring in an international brand,” says Zurab Eristavi. The Rentals brand has been firmly established in the Georgian market for a specific segment to which it offers its high-quality services: “We feel very good. All our clients are happy with us, and we are not limited in our decision-making. This is undoubtedly a positive factor.” Conversely, Zurab Eristavi realizes that large international brands have their strong points and establishing your brand name on the global market has its appeal. “We have to operate in an increasingly competitive environment,” states Mr Eristavi. He sees this as a positive: increased competition is good for the development of the market and the company itself.

In the short term, it seems that the company is set to expand into the wider region. Rentals has already entered the Armenian market, in part due to the requests from existing international clients. “The first serious steps have been taken,” the company founder states. Mr. Eristavi notes that Rentals is always ready to take a risk to develop and thrive in the industry. With this thought, the interview concludes. Zurab Eristavi has spoken to Forbes Georgia for exactly thirty minutes. Our readers, however, will have far longer to form an opinion about the company. 

# Meet the Most Powerful Woman in Irish Retail

*Dedicated to the memory of Arthur Ryan, a great retailer and the founder of Penney's, who passed away at the age of 83.*

Breege O'Donoghue, the first, and for 26 years, the only female board member of Primark, is one of the well-known four who created Primark. Today Primark is a leading retailer operating 365 stores across Ireland, Europe, the UK and the US. Always elegantly dressed in Primark and a big fan of Bikram yoga as well as horse riding, Breege is an extraordinary person who has a sensible feel of style. Her look masks her strong personality and firm character, one could easily say that Breege is the most powerful women in Irish retail. Until stepping down recently from her day-to-day role at Primark, Breege was a board member, and held the title of Group Director, Business Development & New Markets. Her name is associated with many of the successful strategies that made Primark a multinational organization and took it international. Today, Breege continues to promote Primark by being a brand ambassador. She is also engaged in promoting Irish design on a global scale as chair of the Design & Crafts Council of Ireland. Breege chairs and is a non-executive director of other bodies, both in the public and private sector.

BY MARIAM ZURABASHVILI

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**You are one of four who created Primark. A small Irish company originally known as Penney's was established by Arthur Ryan and opened its first store in Dublin on Mary Street in 1969.**

One individual stands out in the history of Primark, the enigmatic and highly talented, Arthur St. John Ryan. The Primark journey began in 1969 when the company started trading as Penney's in an old-fashioned department store with mahogany counters at the neglected end of a shopping street on Dublin's north side. For hard pressed parents with children to clothe, fashion conscious teens and twentysomethings with little money to spend, and for just about everyone in between, Penney's was fashion as they had never experienced before, and they took to it like ducks to water. The response "Thanks, Penney's" when an item of clothing was admired, quickly became a consumer catchphrase and remains to this day. The headline 'Prada? No. Topshop? No. It's Primark, darling', used in a Daily Telegraph

fashion column in 2005, echoed this sentiment in the UK.

I joined the company in 1979. Primark was then viewed as a business that would thrive beyond the shores of Ireland. Living on a small island off the northwest coast of Europe, detached from the European continent on one side, and buffeted by the wild north Atlantic on the other, the Irish have always had a taste for travel and broadening horizons. For Primark that was no different, the move into the UK in 1974 followed five years after the first shop opened in Dublin. The next couple of decades were spent building and consolidating in Ireland and in the UK before taking on the next challenge of continental Europe.

In the early seventies, following the opening of Penney's in Aberdeen in Scotland, America's JC Penney woke up to what it saw as the illegal use of its name in the UK and Ireland. It took the company to court in Edinburgh in Scotland. Following prolonged legal action,







an agreement was reached with JC Penney under which the Irish company would continue to trade as Penney's in Ireland but would not use that as its trading name outside Ireland. It adopted the new persona of Primark. The name was one in a long list of possible alternatives produced within the company and found widespread acceptance as conveying a premium kind of feel without any specific combination of words.

**Primark sells best value clothing internationally, yet it is operating in countries with some of the highest GDPs. What is Primark's expansion strategy and why does it not open branches in third world countries, where the demand might be higher due to the affordable prices?**

Primark continues to explore opportunities to bring the unique offer of "Amazing Fashion, Amazing Prices" to new markets across Europe. The company now has 80,000+ employees, with 365 stores operating across eleven countries, and in excess of 13 million sq. feet of retail space.

Going into a new market, performing due diligence, preparation, understanding the market - customer behavior; shopping behavior and culture - are always challenges. To promote the real Primark story and customer experience, one has to work hard to nurture trust with governments, business influencers, businesses themselves, educational establishments, universities, colleges, schools and fashion establishments, as well as local communities, especially the media.

**Who would you regard as Primark's main competitors?**

Competitors are everywhere in many countries and they vary

from country to country. Primark loves competition, the more competition, the better retailers we all become. Primark enjoys a loyal fashion following, and the brand boasts over ten million followers across its social media platforms. Primark is the number one volume retailer in Ireland, UK, Spain and Portugal.

**Prices are very low; prices range from 35 euros for coats to 1-euro flip-flops. How does Primark earn high profits?**

Primark maintains price leadership in every market. It is a volume business. Approximately 1.5 million customers visit Primark shops daily. With a unique combination of the latest fashion and lean operations, Primark offers customers quality and up to date designs at value for money prices. Primark's Buying and Merchandising teams travel internationally to source and buy garments that best reflect each season's key fashion trends.

Primark orders large quantities of merchandise as far as possible in advance for the planning of production. For example, one supplier in China once told me: "My business is like 100 bed hotel, I reserve 60% of it for Primark, which I have done for in excess of twenty years as Primark's order is guaranteed, and they will pay overheads including wages and expenses."

Primark spends very little money on advertising, thus keeping costs down, and like other fashion retailers, many products are made in developing countries, sharing 98% of factories with other High Street brands.

**Considering the number of countries where you operate and their different culture. Do you adjust products to their needs?**

Doing business locally but thinking globally is essential. Fine tuning may be necessary, such as color trends in different countries, or geographical location; for example, swimwear will sell all year round in the Canary Islands. When Primark launched its first store in Spain in 2006, fuzzy socks were in high demand because of all the marble floors and were purchased all year round by Spanish customers.

**There is always controversy about low-cost retail stores whose products are not made ethically. How does Primark manage to stay ethical and produce low cost clothing?**

Primark's approach to CSR is framed by 5 strategic pillars - its people, its customers, its supply chain, its neighbors and the environment. Turning commitment to ethics, Primark has been working hard for many years to ensure that its products are made with respect for workers' rights and the environment. Primark standards

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are set out in its Code of Conduct, which requires all suppliers to comply with as a condition of doing business. It meets international standards and sets out the core principles regarding working conditions, working hours, fair wages and workers' rights. Primark carries out frequent inspections of suppliers to ensure the Code of Conduct is being enforced, and that workers are being treated properly. This work is overseen by the Primark Ethical Trade and Environmental Sustainability team made up of 100+ specialists based in key sourcing countries. Primark is rigorous in its approach to standards, and only selects and works with factories following successful rigorous due diligence.

Primark recognizes that no one retailer alone can have a positive impact on an entire industry, so to effect change and make an impact beyond direct influence, Primark collaborates with a large number of organizations including Governments, NGOs, charities and other brands to help address issues across the supply chain. Primark has been a member of the Ethical Trade Initiative promoting respect for workers' rights since 2006 and has ranked as the leader since 2011. Primark collaborates with government organizations including the UK's Department for International Development and Germany's partnership for sustainable textiles (Textilbündis).

#### **What about doing business with Georgia from the manufacturing side?**

Primark already has partnerships with many experienced manufacturers; these excellent and valuable relationships have existed for over thirty years.

#### **How do you see the fashion industry developing over time?**

In the current turbulent environment, strengthening customer loyalty is increasingly about demonstrating to the empowered consumer that the retailer understands his or her preferences on lifestyles, and can anticipate changes in this. A fundamental demonstration of such understanding would come from eliminating merchandise the customer doesn't want and focusing on what is relevant to him or her. The customers' loyalty will be routed in trust that the retailer is able to do this range editing. Achieving such focus will not come easily, it will involve not only using information technology to monitor consumer behavior, but also using communication tools to understand consumer preferences and lifestyle choices.

When I was an intern at Primark in the summer of 2017, I saw nothing I expected to see from a typical fashion retail company. The four floor HQ on Mary Street (right on top of the first Penney's store) looked more like a tech-company's office, with an open space reflecting the company's dynamism and it creates a vibe of fast changing fashion. The employees can enjoy a gym with yoga classes and many other activities, as well as a coffee area right next to Primark's design studio. The creative team can easily visualize their ideas on mannequins and a massive wall, which captures the daily changing trends of

fast fashion. The working atmosphere is rather relaxed with employees all dressed in Penney's clothes mirroring the catwalk looks. Going down to the shop, I fell into the buzz of what is called a Primania. Thousands of customers walking into the store, holding at least five products and standing at the queue filled with the joy of amazing fashion at amazing prices. In the middle of the shopping floor, Primark has beauty salon that offers a wide range of beauty treatments, from getting your nails done to eyebrow threading.

#### **Breege, your personal story is fascinating. You were born in the rural Ireland, after graduating from school even though you wanted to you could not afford to go to college, and yet you became one of the most successful business leaders in Ireland and have built a global well-known brand. How did you achieve all that?**

I went to school through fields, but I grew up with the belief that education is key. I was lucky to spend seventeen years working in a hospitality business. With the company I was with, I worked in Switzerland and Germany; where I learned European languages. This European experience became an eye-opener for me. Those years strongly influenced my later life. I have to say, I did not really face too many obstacles on the way, I always worked hard to achieve goals and actively engaged in self-development. Only two years ago, at the age of 73, I completed a Chartered Director Programme - I thought I knew it all in practice, but I wanted to learn it in theory. Besides being involved in Primark, I was, and am a board member of many Irish, state and privately-owned companies.

#### **How do you encourage women who are only now starting their careers?**

Be true to yourself, show courage, independence, initiative, appreciate the need to recognize, respect and value differences. Know right from wrong, be ethically aware. Be satisfied only with the very best, do not be clothed in power and status, but generous in heart, mind and spirit and yes, it is encouragement and love that inspire people to succeed and be happy the world over.

#### **Described by Citibank analysts as a company with "roaring success" and worth 20.2 billion USD, Primark became the success story of Ireland. I do very much hope that one day Georgia will enjoy fast fashion with Primark stores, and even with products made in Georgia. What is your advice to Forbes Georgia's readers?**

Thank you very much, and the advice I would give to Forbes Georgia's readers is, buy Primark everywhere you go to stay trendy with our "Amazing Fashion, Amazing Prices". We know you have a lovely country, but come visit Ireland, we also have a great country.

**Thank you very much for the interview, Breege. **



# A Forty-Year-Old Oil Empire

This is the story of an oil refinery that covers 480 hectares of space. To give you an idea about its size, I will say that entering its premises makes you feel as if you are visiting a separate city, which is bordered by an uninhabited territory on one side, and by the Port of Midia on the other. The latter is situated on Romania's Black Sea coastline. Due to its strategic geographic location, it has historically been a point that connected the Black Sea countries to each other and to other countries of the Near East. The Port of Midia has been supplying crude oil to the Petromidia refinery almost 20 years, and in the past ten years, crude was supplied mainly through an offshore terminal.

BY NINO KVINTRADZE  
PHOTOS: NIKA PANIASHVILI

“Oil is supplied to the Petromidia refinery by the world's largest tankers through this route. The production and transportation cycle ultimately serves to create a product of the highest quality,” states a Petromidia refinery employee. We reached the main reservoir, which is situated 10 km from the shore, by a sea tanker. The Black Sea is calm during autumn, but according to the crew, waves at the shore can reach up to 5-6 m in height during winter. The sea can also freeze when temperatures fall, in which case the seamen have to cut it in order to reach the terminal.

The history of the oil and gas industry begins in Romania. Although the country itself does not have large oil resources, it was the first to start producing oil, and became Europe's largest producer during the First World War. At that time, Bucharest became the first city in the world where the streets were lit up by around 1000 oil lamps.

The Petromidia refinery began operating on 29 June 1979. At that time, the company's annual output was 1.2 million tons. During the next 40 years, Petromidia extended its reach into Western Europe. Today it is one of the largest ultramodern refineries in Southeastern Europe and the Black Sea region, supplying the oil company Rompetrol. Today, the KMG Group (owned by KazMunayGas) operates a full production cycle, meaning that it extracts crude oil, processes it at the Petromidia refinery and sells the resultant high-quality fuel in eleven countries, including Georgia.





Romania has been a major supplier of fuel to Georgia for several years. It accounts for around 30% of petrol and diesel imported by Georgia, and is second only to Russia in this regard. Georgia imported 130,200 tons of fuel from Romania during the first half of 2019, which is 26.3% of the total imports. Russia is slightly ahead of Romania, accounting for 151,800 tons (30.7% of total imports).

Why should consumers choose Rompetrol? I put this question to the CEO of Rompetrol Georgia Zamanbek Mirzayanov. His reply is laconic, yet comprehensive: “we only produce European-quality fuel. Rompetrol is therefore the top choice for customers for whom quality is important.”

Petromidia has been owned by the Kazakh group KazMunayGas International (KMGI) for the last 12

years. The oil empire of Kazakhstan is also celebrating an anniversary this year - the first deposits of ‘black gold’ were discovered in the country 120 years ago.

34-year-old Zamanbek Mirzayanov has been working in Georgia for two years. He joined the KMGI team in Kazakhstan in 2013. He describes the decision to work in Georgia as a new challenge with different duties and responsibilities. The KMGI portfolio currently includes 14 countries and more than 20 subsidiary companies. Zamanbek Mirzayanov does not differentiate between the Georgian and European markets. However, he states that Georgia was a difficult market to operate in during 2017-2018. The company had to simultaneously deal with the twin problems of devaluation of the Lari and the increase of the fuel excise tax.

“The local currency exchange rate presents the

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main challenge for investors in Georgia today. We buy products in Euros and US dollars, while selling them locally in Lari. Devaluation of the local currency significantly damages international investors and business. It is now very important for the Lari to become stable to show sustainable economy. We have great investment plans for Georgia, but they are being delayed due to the unstable economic situation. We can see that the country's economic figures are improving. We therefore believe that forex fluctuations is caused by speculation and panic on the market. We have observed similar situations on other markets across the world," states Mr. Mirzayanov.

In 2019, the company had to face another challenge in the shape of companies on the so-called 'golden list' having their tax benefits scrapped.

"We are a major contributor to the state budget. Abolishing the 'golden list' naturally puts additional

increase the market share"- says Mr. Mirzayanov.

"Our development on the Georgian market continues, and we have an ambitious plan to achieve a 25% market share in the near future. We plan to achieve this by conducting further investment in Georgia. Here, as in other countries, we face strong competition. However, we will soon increase our share on the retail market," states the Marketing and Retail Sales Director of KMG Group Vladislav Rusnac.

Petromidia refinery celebrated its 40th anniversary by announcing 11 record figures made just in the last year. More specifically, a \$450 million investment into the company's comprehensive modernization programme increased Petromidia's annual output to over 5.9 million tons, while the refinery became the most technologically advanced and modern facility in the region. \$50 million have been allocated for investments, modernization and compliance works in 2019 alone.

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***“If our clients want quality, Rompetrol is the number one choice. We never sell any products except our own and they are always Euro 5 Standard.”***

strain on our cash flow and financial figures. This will ultimately affect the product prices. Paying taxes on time is important for us, and we are never late with our payments, but the problem is that we need a period of 2-3 weeks to purchase the product, deliver it from Europe, make all import formalities and then sell it on Georgian market"-states Mr. Mirzayanov

Rompetrol first appeared on the Georgian market in 2005. Since then, the company has managed to secure a 19% share of the market. The company has more ambitious plans for the future: Rompetrol plans to increase its market share to 25% over the next few years and to open an additional 10 petrol stations by 2020.

"Since 2005, we've been closely observing Georgia's investment climate and its improving with every year. Rompetrol has been supplying European standard fuel to its customers since it entered the Georgian market, the fuel that is processed in the EU territory, specifically at the Petromidia refinery. The only plan we have in Georgia is to develop and

There are several large international brands selling fuel in Georgia. Mr. Mirzayanov therefore believes that healthy competition has a positive effect both on his company and the consumer. However, Rompetrol faces a major challenge in the shape of small, unbranded companies. According to Mr. Mirzayanov, such companies represent a 45% share of the overall Gas stations on the Georgian market, which creates an unhealthy environment for numerous reasons.

"Rompetrol meets strict technical regulations regarding its petrol stations and complies with all Georgian requirements and legislation. In addition, some of the technical requirements met by us are not currently mandatory in Georgia. We therefore find it difficult to compete with some smaller players, as they are not obliged to follow certain regulations. The government must pay attention to technical regulations, which are directly connected to safety and environment aspects. For us, Health Safety and Environment aspects are a priority #1 in all our business activities and across all countries we operate in."

Romp petrol currently operates more than 1400 petrol stations and serves up to 60 million customers annually. It is a top player on each market where it is represented. The company's success is reflected in the assessments produced by international organizations: according to the Solomon Associates report, the Petromidia currently has a refinery complexity index of 11.4, which is one of the top figures in Europe. The company also has a utilization rate of 90%, with the average figure for Europe being 83%. According to the 2018 report by Wood Mackenzie, the refinery is one of the most productive in the region, ranking 9th among 250 refineries in Europe and Africa.

The KMG I Group also owns the Vega refinery, which has a 114-year history of its own. It turned from a classic oil refinery into a manufacturer and supplier of semi-processed oil products. It refines the semi-processed oil products supplied by Petromidia.

market prices, however it will purely depend on how government will regulate the market.

"The prices of our products are regulated by market trends. If companies buy cheap products, they will not attain our standards of quality. Like other companies, we cannot operate our business at a loss, any normal business organization must have certain revenues and profit, otherwise we cannot conduct business," states Zamanbek Mirzayanov, adding that the introduction of European standards will have a positive impact on the environment in the country and its population. Mr. Mirzayanov believes that the environmental situation in major cities of Georgia is considered unsatisfactory comparing to European cities. This is caused by low quality fuel products and hazardous exhaust generated by those products. We as an international company strongly support Georgian initiatives on adopting European environmental

***“Lari depreciation has had a huge impact; all our products are purchased in Euros and Dollars. We are buying expensive European products in USD and we are selling them in Lari; when the Lari starts to depreciate it hits us hard. Now it is crucial that the Georgian Lari stabilizes and the currency market balances itself. This is one of the key aspects that is important for investors. In fact, it is the number one problem for investors.”***

Georgia will switch to the Euro 5 standard next year, as mandated by the country's agreement with the European Union. Numerous players on the market will have to change their business model. In contrast, Rompetrol customers have been purchasing Euro 5 standard fuel for several years.

"Our refinery is located in Europe. We therefore only produce European-standard fuel. Some of our competitors in Georgia will have to change their supply policies, as they do not have their own refineries, but I do not think that this will be a difficult process," states Zamanbek Mirzayanov, adding that the move to Euro 5 standard might lead to a slight increase in the

regulation, says Mr. Mirzayanov.

Georgia is a net importer of oil, meaning that price changes are dependent on several factors simultaneously. These include the quotations of crude oil, the exchange rate of the Lari and the tax system.

My next question for the company representatives concerns precisely the price of fuel. Zamanbek Mirzayanov points out that fuel is currently cheaper in Georgia than in Romania, where the company has transshipment expenses. "We constantly scrutinise the current trends on specific markets. I can say with confidence that fuel prices in Georgia are quite affordable compared to countries such as Romania - our



### Petromidia refinery in Năvodari, Romania.

main market - where the average price is more than 1.3 EUR per litre, while in Georgia it is below 1 EUR."

The Business Unit Retail Operations Director at Rompetrol, Anca Banciu, explains that the price of fuel in Georgia is more stable than in European countries. For example, the price of fuel in Germany can change several times in a single day.

"The price of fuel in Georgia follows the trends on the international market. In Romania and Germany it can change several times during a day, while the Georgian market is relatively stable in this regard. European prices are also influenced by seasonality - prices go up when there are more consumers, and decrease when demand is lower. Georgia has a different competitive environment. Apart from large petrol stations, there are also smaller unbranded stations that take up a significant share of the market," states Anca Banciu.

Zamanbek Mirzayanov highlights another change on the market. Parallel to growth in the share of hybrid and electric motor vehicles, the company director expects global demand for oil to decrease slightly.

"I personally do not believe that the world will

make a full switch to electric vehicles in next 20-30 years, but their share on the market is growing," says Mr. Mirzayanov and points out that companies on the retail market have long begun diversifying their products and services portfolio, as they can no longer make a profit solely from operating petrol stations. We observe that on some European markets, the margin of profit from fuel sales at the petrol stations is minimal and close to zero. "The global trend leads to companies actively offering customers diverse products. For example, you will find more and more cafes and shops at petrol stations. This is what drives the retail sales on gas stations today- says Mr. Mirzayanov"

The forty-year-old company has also attracted my attention by honouring veteran employees. This would not seem particularly remarkable if it was not for the fact that Petromidia refinery currently has 55 employees who have been with the company since its establishment four decades ago. This undoubtedly points towards good company management and staff motivation to work for an employer whose development is directly proportional to their own professional and career growth. **S**





# RETAILER YOU TRUST

Entering the Georgian market in 2012 was a strategic step for Carrefour. The French hypermarket and supermarket giant is represented in Georgia by Majid Al Futtaim. The company saw good development prospects in Georgia, and seven years on, it boasts 14 stores and over 2,000 employees in the country.

BY ELENE CHOMAKHIDZE  
PHOTOS: NIKA PANIASHVILI



Country Manager of Carrefour in Georgia, Christophe Orcet





## 'MY DREAM IS TO CREATE GREAT MOMENTS FOR EVERYONE, EVERYDAY'

Mr. MAJID AL FUTTAIM

**T**he story of Carrefour in the region, one of the largest hypermarket and super-market chains in the world, began in 1995, when the brand was unveiled by Majid Al Futtaim - the exclusive regional franchise owner of the French Carrefour brand in 37 countries across the Middle East, Africa and Asia. Today Majid Al Futtaim operates over 285 Carrefour stores in 16 countries, employs more than 37,000 people and serves over 750,000 customers daily. Carrefour operates different store formats and has numerous online offers to satisfy the growing demands of its diverse customer base. In line with the brand's commitment to provide the widest range of quality products and value for money, Carrefour offers an unrivalled choice of more than 100,000 food and non-food products and delivers unique customer experiences 'to create great moments for everyone, everyday', as per the company's vision.

All this stems from one man's vision. It was Majid Al Futtaim himself who first decided to establish a

shopping and entertainment center in the United Arab Emirates. Following the success of this undertaking, the company began expanding into other countries. It may be difficult to imagine skiing in the desert, but Majid Al Futtaim gave customers this opportunity in Dubai in 2005, and later did the same in Egypt. He regularly surprises customers in every market. By employing best international practices, Majid Al Futtaim has turned the Carrefour brand into the regional standard in retail.

"The introduction of Carrefour in Georgia has also provided the country and the local population with the opportunity to familiarize themselves with modern retail. Using best international practices and our experience on other regional markets, we challenged the commercial status quo in Georgia and offered customers a completely novel and unrivalled shopping experience. I am very happy with our operations in Georgia, and I am proud of what we have achieved over the last seven years," states the Country Manager of Carrefour in Georgia, Christophe Orcet, while he

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shows me the Carrefour branches on a map in chronological order based on their opening dates. Carrefour Georgia started its operations with a hypermarket model in Tbilisi and developed it with supermarkets and more recently with convenience store models. First operations were established in Tbilisi, then in 2017 Carrefour supermarket opened in Batumi and it has been operating successfully since. As the management declared, Batumi is a city with high potential and the extension in this market is inevitable.

"Most probably we will stay with the supermarket model, which fits very well with the market and is a key growth opportunity in Georgia."

Majid Al Futtaim continues to seek expansion opportunities for its Carrefour brand in order to offer its unique shopping experience to more consumers and create more jobs in Georgia. The company has already signed a contract to open a new store in Rustavi in a few months' time. Other potential locations discussed by the company include Kutaisi, Telavi, Gori and Zugdidi. 2017 was an important year for Carrefour's evolution in Georgia. The company signed an agreement with the Wissol Group to lease six Smart supermarket branches and transform them into Carrefour stores. All six stores boast good locations in Tbilisi and are operating effectively. The results are, therefore, satisfying.

More recently, Majid Al Futtaim successfully tested a smaller Carrefour store format at its new branches in the Vake district and on Nutsubidze Street. The Country Manager of Carrefour Georgia sees potential for expansion within the convenience store format. The company always has a rational and pragmatic development plan, meaning that management carefully studies each project to ensure that it works successfully. Majid Al Futtaim is investing in development and is expecting a return not only in monetary terms, but also with regards to the company's image, reputation and customer satisfaction levels. As a responsible long-term investor, Majid Al Futtaim ensures that its Carrefour operations are successful and sustainable.

Carrefour Georgia's self-imposed responsibilities are not limited to the implementation of global standards. According to Christophe Orcet, the company aims to set an example in the way it gives due regard to all local laws, regulations, traditions and culture.

Success is achieved by following best international practices and learning from experiences in regional markets.

## PRICING POLICY

"Always low prices" is easier said than done. Carrefour views its pricing policy as one of the main factors that sets the brand apart from its competitors. Prices have always been, and will always be important to the customer, so they became a fundamental indicator for the company. Carrefour aims to offer a wide range of high-quality products at the most affordable prices.

"A significant aspect of our pricing strategy is that we maintain the same prices in all our stores. I believe that this is only fair towards the customer. It is very challenging for us, but it is an integral part of our long-term strategy," says the Country Manager of Carrefour Georgia.

## HUMAN CAPITAL AS A COMPETITIVE ADVANTAGE

Majid Al Futtaim is actively working on attracting and retaining talented local staff. Its approach is best reflected in the 'Organizational Health Index' (OHI) - an annual study into employee satisfaction, motivation, engagement and loyalty. The company currently employs more than 2,000 people in Georgia for its Carrefour operations, 99% of whom are Georgian citizens.

"Majid Al Futtaim is proud of the numerous examples of career progress and success of its employees. We have many employees who started working for the company at a junior level at Carrefour and now hold key decision-making roles. The company's internal 'Career Development Programme' helps identify talented employees and supports them with their professional growth.

"I believe that Georgian people know better than me what is best for their country. This is why we invest so heavily in their development. It is very valuable to us, and we are proud to have talented Georgians holding executive positions within our company, such as Country Finance Manager or Country Marketing & Sourcing Manager" - states Christophe Orcet.

Several years ago, Majid Al Futtaim founded the Leadership Institute, which offers employees an internal educational platform in leadership, customer

experience, data analytics among others. Christophe described the company's training programme by saying that development should start at the entry level, and that everyone has talent - it just needs to be discovered. To this end, Majid Al Futtaim recently opened a new training and development center for its Carrefour staff in Tbilisi.

"We will conduct training in all operational areas such as digital technology, sales and marketing, hygiene, safety and customer service. We will also aim to identify employees with high development potential. We will open two new stores over the coming months, so we will need new people. They will have to be Georgian as I am impressed by the young talent in this country," says Mr. Orcet.

The company is currently working on another project, which it aims to complete by 2020. The company expects the role of modern (organized) retail to grow in Georgia over the coming years. However, Georgia currently lacks special educational courses that would allow young people to study subjects such as retail marketing and supply chain research. The management at Majid Al Futtaim believes these to be very important elements in modern retail. They are, therefore, trying to build a bridge between the European Business School and Tbilisi State University, whereby the new generation will have the opportunity to study modern retail through undergraduate and master's courses in Business Administration. This, in turn, will increase the flow of young graduates who specialize in retail on the market. As part of the partnership, Majid Al Futtaim will also establish internships in Carrefour.

I would add that Majid Al Futtaim is actively involved in the field of professional education in Georgia, as the company wishes to help people learn trades properly (for example, to become butchers or bakers at Carrefour). It is, therefore, signing another agreement with a professional college in order to share its experience and ensure that training is conducted in a correct manner.

## **SUSTAINABILITY AND CORPORATE CITIZENSHIP**

Sustainability is one of the company's key priorities. To this end, the it has already organized around 50 charity events over the last two years. Notably, Car-

refour was recognized as one of the main contributors towards the campaign to restore the Borjomi Gorge, which was damaged by wildfires. Carrefour acted quickly during the tragic event; supplying food, drinks and household items for the firemen and rescuers working at the disaster site.

In line with Majid Al Futtaim's wider sustainability strategy and its commitment to become Net Positive in water and carbon by 2040, meaning that we will give back more to the environment than it takes, Carrefour in Georgia has launched a number of sustainability initiatives in April 2018 and they are still ongoing. The environmental campaign is called "Honor the Nature" and the aim is to raise awareness regarding the harm from single use plastic bags and the advantages of using reusable bags. As part of this, Carrefour announced a photo contest to create reusable bags with designs submitted by customers. Since March 31st they've also decided to reward all customers who bring their reusable bags along during their shopping trips, with 637,000 customers rewarded this year alone. Furthermore this year Carrefour launched the first reusable bag made in Georgia, and consumption of single use plastic bags already reduced by 60% since they've started the campaign.

"We are actively trying to reduce the use of plastic bags. However, other retail chains must join us, and we need to act together. This is one of our absolute priorities. We are also limiting the use of single use plastic bottles in our office. Instead, we provide reusable bottles for our employees. We are also tackling excessive use of water and electricity. In this regard, we have managed to reduce consumption by 8% since the start of the year," explains Mr. Orcet.

Majid Al Futtaim also works with various organizations to enable full integration of people with disabilities into the society. There are currently several such people who are fully integrated within the Carrefour personnel team. Supported by the European Union, Majid Al Futtaim has implemented an important project that advocates and lobbies for equal educational and employment opportunities for people with disabilities. The company has also been recognized as one of the best employers of the year.

## **CARREFOUR AS A BUSINESS THAT BENEFITS THE MARKET**



Carrefour has its own model, and the Majid Al Futtaim management team knows very well how to put this model into practice. The company has an effective local approach that is based on the wider strategy of the global group. There are certain fundamental elements that are used by the company in numerous countries, and in Georgia in particular. One of them is maintaining competitive advantage and satisfying growing consumer demands through cost-effectiveness, quality and sustainability. The company is very happy with the way it currently operates and believes this to be the result of its long-term vision. In June, Carrefour was listed as the tenth-largest company in the country. It is the only retailer that made the top ten. The company also holds the leading position on the Georgian market with a 25% share, despite only

operating 14 stores.

"I am very happy with our operations in Georgia, and I am proud of what we have achieved over the last seven years. I believe that Carrefour's pricing strategy has helped keep the inflation of food prices in check, we even recently introduced our MyCLUB loyalty program designed to help customers save more. Naturally, I am delighted to see us growing so fast. Numerous local manufacturers and suppliers are growing together with us. Such partnerships enable us to directly and indirectly create jobs for the local population. We are delighted with the initial results and customer engagement figures. We wish to be as close as possible to our customers, to fulfill their requests and to "create great moments for everyone everyday", states Country manager of Carrefour Georgia. **S**

# How to Change the World

Changing the world for the better, seeing opportunities where others see problems, working on interesting issues, choosing your own team and getting several million dollars of investment - all sounds too good to be true, right? Well, that's the list of privileges you might get if you decide to become an entrepreneur.

BY MARIAM SHARANGIA



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**I**s changing the world as simple, straightforward as it seems at first glance? Co-founder of ‘Y Combinator’, Paul Graham, says that: “The odds of getting from launch to liquidity without some kind of disaster happening are one in a thousand.” According to statistics, 95% of all startups fail.

If the likelihood of failure is so high, why is entrepreneurship so attractive, interesting, and desirable? Why do startups and entrepreneurs get so much support from both the public and private sector?

Perhaps because in the 21st Century, entrepreneurs are the main agents of change in turning Georgia into a knowledge-based economy.

Entrepreneurs are people who go outside of their comfort zones and try to make the world a better place, who try their best to solve problems in different sectors through innovation and technology. If a startup succeeds, the founder, investor, and country benefit; not only financially but also intellectually by developing competencies.

Yet, who are entrepreneurs? Superheroes with hidden superpowers, or people willing to give up comfort for an idea that they believe in? Is there an entrepreneur in each of us; who, when awakened, understands his/her secret powers and embarks on an adventure?

Giorgi Laliashvili, a co-founder of a very successful Georgian technology startup (‘STACK’), thinks that entrepreneurship is more a direction of thinking rather than a skill.

“Scientists study the world and develop rules, while engineers make technology based on these discoveries. Entrepreneurs try to solve universal problems using technology and ensure that solutions are delivered to every customer,” says Giorgi.

Giorgi tells us about his startup, the multifaceted nature of entrepreneurship and the path that he took from the birth of the idea to its presentation in front of an investor.

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**What is 'STACK', how did you come up with the idea, and at what stage of development is it at now?**

'STACK' is an alternative browser, which provides the opportunity to work more intuitively and easily with web applications used daily.

Our tech-guru, Ziko, came up with this idea while working on our other project. At first, 'STACK' was created to launch social media applications, but after Ziko received hundreds of positive reviews from several tech platforms, he started to think about the idea as a standalone company. Currently, we are growing by 5% per week. In the next four months, we should increase this figure to 8%.

Our next milestone is 10,000 users by the end of the year and a steady 35% monthly growth rate. Since our product is completely free for now, our focus is on the number of users. The sales will come later.

**How did you get started?**

As soon as we decided to make 'STACK' a startup, we started to think about the target audience, the most effective way to solve the problems that we focused on, and the most efficient way to test our assumptions. Then, we set the expected deadlines following the estimated financial costs breakdown, and we started working.

**I'm sure you've had a lot of business ideas. What convinced you that 'STACK' was worth the time and money you invested in it?**

Customer feedback and the potential for a major tech breakthrough were the things that helped me get outside of my comfort zone and brought me this far. I can say the same thing about the whole team.

**What is your background and how much did it help you in the work you do today?**

Thanks to my parents, I have always wondered how the world worked. I studied physics at university, which taught me a simple approach to complex issues. Then, I started setting up startups and learned a lot about innovation, business, and user psychology. Then, I led a business incubator at the 'Innovation & Technology Agency'; I looked at

startups from a different perspective - as a mentor, investor, and facilitator. This experience still helps me to evaluate STACK's potential, its development trajectory and my every step in many ways.

**It is very difficult to get to traction from just an idea, or a prototype. What was your path to success?**

It can be said that from its launch, 'STACK' took two days to get traction, as it took Ziko (our CTO) this amount of time to make and run the prototype. However, we all worked together to get traction: we have close contact with our customers to know their needs and demands. The development team is constantly working on changes considering customer requirements and product development. At the same time, we go to the biggest tech events around Europe to get 'STACK' out to the right audience. The rest is done by customers themselves spreading the word.

**What has been the biggest failure for 'STACK' to date, and what have you learned from it? Have you made any mistakes, which in hindsight you would like to have avoided?**

Two rejections from 'Y Combinator' were the most painful for me and taught me that no matter what the accelerator, incubator, or VC foundation writes on their websites or in other communication channels - the key factor in evaluating startups is still its financial viability.

Frankly, I think we had to make all the mistakes we made. The only thing I would change is that we didn't take direct steps because of fear of making mistakes. For example, we do not have a Windows version yet, because we did not know if it would work and do not want to disappoint ten times more users than we currently have. We are still afraid in some regards, but we are facing our fears.

**What do you think is more important - the idea you work on or the team you work with?**

In my opinion, the most important thing is to like what you do and to do what you like. The rest is up to one's personal preference. Sometimes, the idea and vision are so great that it doesn't matter

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with whom and in what environment you work. Sometimes, the team is so cool that it doesn't matter what you do with them. I love both, our team and the idea so much, that if anyone ever lags other will always compensate.

**How did your team form?**

Most of us have known each other since we were students. After university, we parted ways, but 'STACK' reunited us. We are all very close friends.

**How important is it to have different competencies within the team?**

Diversity in the team is very important, not just in terms of competencies. But also, different visions, interests, habits, skills, approaches to issues, and other characteristics. Uniting all these around the goal and idea gets the best possible results, based on our experience.

**What is a typical day like as an entrepreneur? How do you think it will change along with the development of your startup?**

To tell you very briefly - whether I want to or not - I think about 'STACK' even when I sleep. In the morning, we have a "standup meeting", where the whole team gathers to review the completed assignments and make plans for the next day. Then we start working: calls, emails, presentations, finances, communication messages, plans, discussions, agreement with the team, and lots of thinking mainly on how to make something new without damaging something else. One thing that I know will change for sure with the startup's development is that there will be more to spoil and more to think about.

**I have to ask you about your plans, what development plans do you have for the future? An exit strategy?**

Our vision is the following: we want to change and improve the communication methods of mankind. Today, people exchange most information through the internet, and we've started by improving a browser. However, a browser is not our limit. In the future, we will develop communication between people using other methods too. So, we're

still far from the exit.

**How realistic is it for a Georgian company to attract investment abroad?**

We've met and talked with many venture capitalist investors and foundations. One of the main reasons why these institutions are reluctant to invest in Georgian companies is distrust due to lack of information and experience. Someone has to start and set a clear precedent for a successful investment and exit in a Georgian company. This will generate trust toward us from international investors. We believe that 'STACK' will make a significant contribution in this endeavor.

**Where should we look for investors? What was your path?**

Of course, if no one uses your product and no one appreciates it, then it's very difficult to convince someone just with your own belief and enthusiasm to take a risk on you. That is why it is important to have sales or even customers before you start actively seeking finances. As for finding investors - different types of investors are involved at different stages of the company's development.

We started fundraising with grant projects and family members. Once we had accumulated enough of a customer base, we started a so-called "seed investment" search and joined an accelerator that can be considered as an early-stage investor. We now have a larger team, our customers are growing rapidly, and venture capital investors are also interested in taking part in the next investment round. These types of investors are usually interested in sales, but in exceptional cases, rapid and steady growth in customers is also a sufficient condition for their interest.

**What is the essential ingredient to attract an investor's attention? How important is having several investors?**

Potential. All investors are interested in growth potential. Their goal is to make investments that will probably decuple or at least double shortly. The higher the probability of success, the higher the chances an investor to agree on less return. It is the responsibility of the company founders to reduce



risks and prove it with numbers. Large numbers of customers, large sales, or by demonstrating the rapid and steady growth of these numbers. In the end, it all shows the potential of growth of the company, and this is of interest to the investor, as well.

Having many investors is both good and bad. Relationship management with many investors is a complex process. There may be no agreement between the investors and this could hurt the company. On the other hand, the more powerful and generous partners you have, then the greater your chances of success.

**What is most important during pitching? How sincere are you with investors and how much do you embellish the facts?**

When pitching, there are three things you need to know: what an investor is interested in, what you're talking about, and to say only what you believe in. In this case, the pitch is very natural, it fits well, and the listener is satisfied. This is very

general advice, but the rest is about technique and experience.

Of course, at the initial stage, we try to present our company to investors in the best possible light, but sincerity is essential. One thing we must all understand is that an investor is not a stranger from who you just borrow money and pay interest. The investor is your partner and his or her interest in the success of the company is no less than the founder's. Before any financial transaction, all the partners will learn the truth, and at this point, if something goes wrong it will lead to distrust between them in the future. Consequently, lying to investors is counterproductive and makes no sense.

**What are the questions that an entrepreneur should ask an investor?**

The same questions that you would ask an employee or a business partner. You need to understand how an investor can help the company and what they expect in return. Founders and

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investors don't need to have the same interests. These interests must be reconciled at least within a certain timeframe. We ask all the investors in what industries do they have investment experience in. We ask for the names of specific companies, and then we ask these companies about their cooperation. We also ask what they expect from the companies that they invest in, what methods they use and how much they are involved in management, when and how they choose to exit the company.

**If you could, which experienced entrepreneur would you have onboard?**

Peter Thiel, or Elon Musk. In short, anyone from the "PayPal Mafia".

**Which accelerator are you in and what is the accelerator's role in the development of your business?**

360Lab is an Austrian-American accelerator owned by '360Group'. We started looking for an accelerator from the beginning. We were looking for something that would give us finance, workspace, quality connections with future investors, and knowledge. Of course, we targeted some great ones like 'Y Combinator', '500 Startups' and 'TechStars'. However, we were at an early stage for these accelerators and could not get into the current programs. Later, we found 360 looking for teams for the second round of accelerated funding. We searched for detailed information, learnt about the benefits we would get and the kind of partner we would acquire as an accelerator, talked to previous teams for recommendations, participated in the qualification round, and eventually won along with 4 other startups.

I would like to clearly express the role of an accelerator for beginner entrepreneurs. As a rule, accelerators help startups to get through any particular stage quickly. To this end, they also make a small financial investment and assist entrepreneurs with the knowledge and experience of mentors in return for a share of the company. In our case, the rapid growth of our customers is what the accelerator helped us in the most. It also provided a free workspace where we, along with other startups, are surrounded by experienced mentors and professionals.

**What will be your next move if 'STACK' fails?**

For us, 'STACK' is not a product but an idea. After many iterations and endless attempts, if it fails as a product, we will try to implement our idea through other means.

**When would you say you are successful? What is your success metrics?**

It is very difficult to say precisely because every time I move to the next stage, I have new success metrics. However, at this point, I think that when 1,000,000 users are satisfied with 'STACK', then I'll be satisfied too.

**What would you say to your past self five years ago?**

It was exactly five years ago that my entrepreneurial life began when I went to Dubai to start a startup with Ziko. Now, if I had the opportunity to talk to myself then, I'd say you are on the right track, but go faster!

**How easy is it to start a business/startup in Georgia today?**

It is very simple to start. Georgia is among a limited number of countries where talented and creative people live, the internet is affordable, and life is not expensive compared to other countries. Therefore, it's a great environment to start and test something new. However, scaling and growth are not easy at all. Due to the scarcity of population and the language barrier with the international market, the management of a rapidly growing company in Georgia entails many difficulties. However, based on my observation, this situation is changing for the better. As I already told you, it is important to see opportunities among difficulties and problems than to solve them step-by-step. But we should start from the bottom with the 'Bottom-Up Approach', as marketers say.

If entrepreneurs are not ashamed of their ideas and are not afraid of failure, if consumers have more confidence and an open attitude toward Georgian innovations, then accelerators, corporations, investors and the government will be more interested in supporting and promoting this process. 

# THE MISSION



BUSINESS INTERVIEW WITH THE CEO OF  
BANK OF GEORGIA ARCHIL GACHECHILADZE

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AUTHOR: ELENE KVANCHILASHVILI

PHOTO: KHATUNA KHUTSISHVILI

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## ARCHIL GACHECHILADZE

The CEO of Bank of Georgia since January 2019. Prior to that, he held numerous significant positions in the private sector. In 2017-2018, he was the CEO of Georgia Global Utilities, while chairing the GWP supervisory board at the same time. Archil Gachechiladze has been involved with Bank of Georgia for many years. In 2016-2017, he was the bank's Deputy CEO for Corporate & Investment Banking Services; in 2015-2016, he was the Financial Director of the BGEO Group; while from 2009-2015, he held the position of Deputy CEO for Investment Management & Corporate Banking Services at Bank of Georgia. Earlier, between 2000-2008, Mr. Gachechiladze held various positions at several Georgian, American and British organizations – such as Lehman Brothers Private Equity, Salford Equity Partners, EBRD, KPMG Barents and The World Bank. Archil Gachechiladze holds an MBA degree from Cornell University (Ithaca, NY), Johnson Graduate School of Management, as well as a Bachelor of Arts diploma from the Ivane Javakishvili Tbilisi State University.

# *Change is the only constant in the 21st Century”*

*- Archil Gachechiladze, CEO of Bank of Georgia.*

Archil Gachechiladze assures me that his ambition is not to make a personal mark on Georgia's systemically most important bank. Instead, he continuously emphasizes the importance of working as a team and further improving the system. “The bank must operate effectively regardless of whether it is Archil Gachechiladze or someone else at the helm,” says the CEO of Bank of Georgia; adding that the bank is already making great strides in this regard.

Nevertheless, I get the impression that Mr. Gachechiladze has a clear trademark style of his own, and it is associated with two of the most important terms in today's reality - innovation and a modern vision.

In September, Archil Gachechiladze and Bank of Georgia will announce a renewed mission statement. “We help people to maximize their potential,” states the CEO.

One trend undeniably stands out in every public opinion poll conducted in recent years, and that is the challenge presented by poverty and unemployment levels in Georgia. “Poverty is our strongest enemy today,” states Mr. Gachechiladze.

The CEO's words are backed up by statistics. Recent data shows that 20% of the country's population lives below the poverty line. Moreover, most working taxpayers also earn a low income. According to the Georgian Revenue Service, only 1.13 million people in Georgia have a declared salary, of which 191,000 (16%) have an average monthly salary of less than 100GEL. Only 0.57% of the population has a monthly income of over 5,000GEL, and only 0.21% of Georgians have an annual income of more than 100,000GEL (8,333GEL per month). Furthermore, although official statistics show that 1.69 million people in Georgia are in employment, only 1.13 million of these have any registered income.

We are forced to conclude that a middle class is virtually non-existent in Georgia. Data from developed countries shows that the middle class usually forms the largest group of taxpayers. In contrast to this, the poor make up the majority of Georgian society, which is more typical for a developing country.

Additionally, people tend to believe that success in Georgia can be achieved not through knowledge and hard work, but instead through nepotism and luck. According to Archil Gachechiladze, “lack of hope is another fierce enemy of ours.”

While the CEO does not wish to reveal all, he has already identified three main corporate social responsibility components for Bank of Georgia, and knows exactly which tools to use to ensure that

his organization contributes towards maximizing on the country's potential.

**One of these main areas is education:** “We are trying to fund programs that are broad in scale. They apply both to university students and school pupils. We want to create digital resources that will enhance young people's knowledge and skills, allowing them to see their own potential.”

**The second component is employment:** “In this case, our main challenge is to help people to start believing in themselves. Then we can start thinking about providing them with the necessary resources to ensure that their path to employment is as simple and as short as possible.”

**The third area is business support:** “This does not mean providing credit support alone. We are talking about professional advice, training and other forms of aid that ensure that a business can go to the next level,” explains Archil Gachechiladze.

The CEO of Bank of Georgia believes that if his bank can successfully and effectively implement its vision, Georgia will be able to fulfil its potential sooner, or at least come close to doing so. “We must fight poverty not only by issuing funds, but foremost of all by creating opportunities. For me, inclusivity means nothing other than creating equal opportunities. Everything else, such as distribution of funds and higher taxes for the rich, is counterproductive,” explains Archil Gachechiladze, whilst revealing a conservative standpoint.

Equal opportunities in the 21st Century are hard to imagine without equal access to innovation. It would be fair to say that this particularly applies to the banking sector. Banking, before and after the internet, are two completely different worlds. If a bank cannot come to terms with this, then it is doomed to fail.

Based on this, innovation is another recurring term during the interview with Archil Gachechiladze. According to him, the Georgian banking sector is quite well-developed in this regard, which is largely due to the competition in the industry. Mr. Gachechiladze firmly believes that constant competition breeds innovation. “The basis for the rapid development of the banking sector in Georgia was competition and the innovation that was first introduced on our market was by Bank of Georgia. Without us, our main competitors would not be as strong as they are, and vice versa.”

The Forbes Georgia rankings reflect the dominance of the two largest banks (Bank of Georgia and TBC) on the market. However, this does not imply a lack of competition in other segments. For



example, the small and medium-scale business segment has several successful players, while the retail service sector is served by a third large bank and its numerous branches. "The competition is fierce, but we have managed to increase the loyalty of our customers through innovation and improved service," states Archil Gachechiladze.

Innovation combined with information obtained from the original source can turn into a powerful tool. When it comes to taking rapid steps towards development, the CEO of Bank of Georgia is guided by the principle that "it is not necessary to reinvent the wheel."

Indeed, even on a global scale, the largest banks do not differ from each other significantly. They are currently faced with the same challenges, brought about by the increase in the speed of data collection and its exchange. To achieve their common goals, it does not matter whether the banks in question are in Georgia, the EU or the United States - development and modernization have a common trajectory.

One of the main challenges facing the banking sector across the world today is to create a comfortable service environment for the customer. Modern-day banking services must be tailored to the customer's busy schedule, rather than the other way around. This is easier said than done. A bank must carefully study the customer's goals before proceeding to create tailor-made services that will help customers achieve said objectives whilst also saving them time.

Comfortable service is not just an ideal, but a crucial component of success.

The CEO of Bank of Georgia agrees that the banking sector is undergoing significant changes. "In the past, people would choose an apartment for themselves, then browse through various mortgage offers and wait two or three weeks for a reply regarding the approval of their loan application. Today the customer expects a far better service from us. Data processing and integration will become significantly easier with the help of various brokerage firms, as customers will automatically have access to the apartments that they can afford. Around 80% of the process must be digitalized, leaving only the handshake."

As for the relatively minor solutions, Mr. Gachechiladze believes that any transaction can be fully completed in 3-10 minutes. "These are some of the innovations that are being planned and implemented. In this regard, we can confidently say that we are ahead of our competitors. However, we are not going to slow down."

The other global challenge facing the leading banks is ensuring the relevance of services, which is only possible through proper communication with customers. Simple communication is no longer enough. Personalized communication that is relevant to its specific context is required. Customers expect their bank to perceive them as individuals, know about their needs and be able to predict their future requirements. This is a difficult undertaking, as it requires



banking activities to be conducted in real time, while the main and largely automated banking services must also be supplemented with personalized and targeted advice, whenever required by the customer.

Bank of Georgia has more than 2 million customers. Therefore, Archil Gachechiladze found a technological solution to this task, in the shape of Medallia – a globally renowned company that manages the customer experience. The company has more than 15 offices worldwide, including locations in London, Paris, Sydney and New York. It has more than 500 customers, including PayPal, IBM, Airbnb, Best Western and many others. Both the customers and the sectors represented are numerous and diverse.

“We will be the first Georgian organization to work with this firm. Ultimately, this should enhance the quality of service even further,” states Archil Gachechiladze.

Closely related to the subject is the issue of effective feedback, which presents another challenge to large and successful banks across the world. Providing such feedback in a short space of time can only be possible if employees have access to the latest and most relevant data and information in order to provide a quick and clear response to customers.

Dealing with this challenge effectively whilst renewing the mission statement is particularly important for Archil Gachechiladze, as he also equates fulfilling this mission with achieving success. As in all other cases, he has a detailed understanding of what success looks like: “Bank of Georgia must operate an effective system. All employees should look forward to coming into work and feel that they help shape a better Georgia by working in this bank. Each customer must be happy about working with the bank and be influenced by the positive aura that exists within the organization. Consequently, the business will be oriented towards appropriate values and the shareholders will be satisfied.

“In order to achieve all of this, we must ensure that the spirit and emotion of our mission statement reach our customers,” says Archil Gachechiladze. To this end, the CEO chose to implement a widely used digital platform in the shape of Workplace. According to Archil Gachechiladze, it is “something like an internal Facebook for employees.”

Indeed, Workplace uses a new generation of technology and simple operations to completely transform the quality of communication and culture in companies of any size and type. Several days ago, Archil Gachechiladze held a presentation where the number of virtual attendees interacting through comments exceeded the number of attendees physically in the conference room. “People are slowly getting familiar with using this approach in a corporate environment,” states the CEO.

Improved communication may require numerous changes in internal processes, as was the case in this particular instance. Moreover, it is not only the system that must undergo appropriate adaptation, but the employees as well. Bank of Georgia employ-


ees are characterized by their ability to quickly adapt and develop themselves. “When we hire people, we pay particular attention to their readiness to adopt change. For example, the knowledge possessed by recent university graduates will no longer be relevant in ten years. It is, therefore, important to be ready for changes. We must understand that each one of us is constantly learning,” explains Archil Gachechiladze.

The CEO himself has learned the importance of teamwork, and that one person cannot change reality: “A leader can play a big role in forming a team, but the success of the organization, and of the leader himself; is ultimately determined by that team.”

The fourth and biggest challenge facing every bank across the world is maintaining trust under the backdrop of growing fragmentation of the financial sector. In many areas, Facebook, Apple and PayPal are the main competitors of banks in the 21st Century. Trust is a crucial component, which distinguishes the financial sector from other players.

In this regard, the figures speak louder than any words that can be used to describe the trustworthiness of Bank of Georgia. In terms of its total assets (34.3% market share), total loans (34.6% market share) and customer deposits (33.9% market share), the bank holds a third of the market.

Bank of Georgia offers its customers a broad range of corporate and retail banking products, property management and brokerage services. In 2012, shares of the Bank of Georgia Holdings plc (LSE: BGEO) received premium listing on the London Stock Exchange. BGEO has also been part of the FTSE 250 and FTSE All-Share indexes since June 2012.

When a company’s shares are floated on the London Stock Exchange, its trustworthiness is measured parallel to that of the country that it represents. This is something that Archil Gachechiladze is particularly proud of: “Since 2006, when we attracted the first \$100 million of investment in the country’s capital, we have been representing Georgia to investors and assuring them that this is a place worth investing in. Our role is to create a positive stimulus. We always want more, and we try to help people and the country to realize their potential.” 

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***“When we hire recent university graduates, we bear in mind that around 80% of the knowledge that they possess at that particular moment will no longer be relevant in ten years. We must, therefore, understand that each one of us needs to be constantly learning.”***

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## Q&A Blitz with the CEO of Bank of Georgia

### Name a successful recent reform

Although we were not affected by this particular reform, as we pay the profit tax in full, the introduction of the Estonian model has left many of our customers – mainly medium and large-scale corporations – with more money to expand their business, which ultimately translates into growth in internal investment and provides a great stimulus both to ourselves and the country as a whole.

### The impact of the growing use of cash

The less cash there is in circulation, the faster the process of digitalizing bank services, which will ultimately save time, money and energy.

### Development prospects for the capital market

It is difficult to imagine the development of the capital market without the development of the economy. In regional terms, we have a small economy. Therefore, I cannot foresee the stock exchange developing faster than the Georgian economy, although the pension reform will create a positive stimulus in this regard.

### Success of the banking sector and the key to growth

I now believe that the banking industry is reaching the stage where its growth and success is entirely and directly linked to the country's economic growth.

### The main challenge to business growth

Bureaucracy and the judiciary system. I would like the legal system to be more effective. In this case, it would speed up the process of resolving problems faced by our corporate clientele and ourselves. Naturally, this would greatly facilitate quick and effective decision-making. Georgia has potential to develop at a quick pace, but this will only be possible if an orderly legal system and effective bureaucracy is in place.

### Larization Policy

The basis for the Larization process must be formed by savings in the national currency. The economic policy driving the country is crucial in this regard. Here I can see potential for improvement. The higher the level of trust in the Georgian economy, the higher the degree of Larization.

### Banking Regulations

The regulations introduced over the last two years, which were aimed towards stimulating de-dollarization and reversing the rapid growth in consumer loans, reduced banking activities to a certain extent. However, it has also reduced economic risks in a crisis. It is important to maintain a balance between economic growth and risk.

### Banks: Friends or Foes?

Constructive criticism is important to us. However, criticism of the banking sector often exceeds constructive boundaries. I think that the level of aggression towards banks has decreased recently. We do not expect everyone to like us, but we definitely want to show people that they can change their current reality if they so wish, and that we are here to help them determine what needs to be done to change this reality. If we play a positive role in this process, then I believe that people's attitude towards the banks will further change towards the better. Our mission is to help people realize their potential.





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# GEORGIA'S 100 MOST PROFITABLE COMPANIES

The following rankings were compiled by Forbes Georgia in partnership with the international auditing firm Grant Thornton. The Georgian private sector recorded a combined net profit of 3.1 billion GEL from the activities of the country's largest companies in 2017. The rankings include all firms, including those representing the financial sector, which have published their financial accounts and have made the top 100 based on their net profit figures. Unlike the index of the largest companies, which ranks the firms based on the value of their assets, their revenues and net profits; the index of most profitable companies only takes the latter component into account.

BY SHOTA TKESHELASHVILI

# TOP 10 OF MOST PROFITABLE GEORGIAN COMPANIES



## 1. JSC TBC Bank

Profit in GEL: **362,781,000**

TBC Bank is Georgia's largest financial institution. Its assets are worth 16,846,980,550 GEL and it employs more than 7,000 people. TBC is one of the country's leading players in digital banking.



## 2. JSC Bank of Georgia

Profit in GEL: **338,907,000**

Bank of Georgia is the country's second-largest financial institution. It has more than 2.5 million customers. Bank of Georgia is the leading bank in the country in terms of the number of service-centers (271), cash machines (886) and self-service terminals (3,152).



## 3. Metro Avrasya Investment Georgia

Profit in GEL: **189,393,000**

The Metro holding company combines various types of businesses, including several large hotels in Adjara, a construction material plant and a bus fleet that offers regular services.



## 4. TAV Urban Georgia Ltd.

Profit in GEL: **156,652,000**

TAV Urban Georgia operates the Tbilisi and Batumi International Airports. The company began operating in Georgia in 2005 and has a contract with the Georgian government until 2027. It is part of TAV Airports Holding and one of the largest investors in Georgia.

### METHODOLOGY

The rankings were compiled using the companies' published audited accounts for 2017. Any companies where the Georgian government is the majority shareholder were excluded from the list.

Published audited accounts formed the basis for compiling an extended list of around 200 companies, which was then shortened to include only the 100 largest.

Certain large companies that would normally be among the highest grossing in the country have not published their audited accounts for 2017 and could, therefore, not be included on the list. These include companies from the mining, chemical manufacturing, construction and retail sectors.

Numerous members of the list operate subsidiary organizations. In each case, the evaluation is based on the group's consolidated accounts that reflect the finances of all subsidiary firms. For example, Socar Energy Georgia unites Socar Petroleum, Socar Georgia Gas and other subsidiaries under

its umbrella. Here, as in all other cases involving groups, the consolidated accounts of the parent company have been used for evaluation purposes.

The ranking is compiled based on the companies' 2017 profits, as reflected in their published audited accounts.

### TERMS OF USE

*The rankings are based purely on expert and journalistic evaluation meaning it cannot be used as an official piece of information.*

*The use of the rankings by other media sources is permitted under 'rewrite' terms and by linking to Forbes.ge and to the rankings themselves. Copying and pasting without indicating the source is prohibited.*

*The index of most profitable private Georgian companies will be published annually. We are open to cooperation with any party willing to supply us with the relevant information.*



**5. Magticom Ltd.**

Profit in GEL: **91,898,730**

Magti is the largest player in the Georgian telecommunications market. Its mobile phone network has 1,983,664 subscribers; while 400,125 people use the company's internet broadband service.



**6. Lisi Lake Development**

Profit in GEL: **78,289,750**

Lisi Lake Development is one of Georgia's largest development companies. In 2017, its net profit figures were the highest among all companies in this field, which was mainly due to the revenues obtained from the revaluation of its investment assets.



**7. JSC Energo-Pro Georgia**

Profit in GEL: **62,781,000**

Energo-Pro Georgia is one of the country's largest energy companies. It owns 15 hydroelectric power plans. The company supplies energy both to Tbilisi and to the rest of the country. It employs around 6,000 people.



**8. JSC Poti Sea Port Corporation**

Profit in GEL: **55,856,000**

Pending the construction of the new deep seaport, the Poti Sea Port is Georgia's largest port and the country's maritime gateway to the rest of the world. The port has a container terminal and 15 landing places. The company is fully owned by APM Terminals.



**9. Liberty Bank**

Profit in GEL: **53,014,000**

Liberty Bank is the third-largest player in the Georgian banking sector. The bank has a broad network of service centers that covers all corners of the country. Liberty Bank has assets worth 1,996,556,415 GEL.



**10. Cartu Bank**

Profit in GEL: **49,718,000**

The commercial bank founded in 1996 by Bidzina Ivanishvili has been known as Cartu since 1998. According to their 2017 accounts, Cartu posted the fourth-largest net profit in the Georgian banking sector. The bank's assets are currently worth 1,150,307,513 GEL.

# GEORGIA'S 100 MOST PROFITABLE COMPANIES

#	COMPANY NAME	PROFIT IN GEL
11	ADJARABET GAMBLING	45,723,000
12	AZFEN – GEORGIA BRANCH (SHAH-DENIZ PIPELINE CONTRACTOR) CONSTRUCTION	42,721,619
13	DABHI GROUP GEORGIA LTD. (BILTMORE HOTEL OPERATOR) HoReCa	41,215,345
14	JSC WISSOL PETROLEUM GEORGIA SALE OF OIL PRODUCTS	40,090,000
15	DUTY FREE GEORGIA LTD. RETAIL	38,522,495
16	GPC PHARMACEUTICAL RETAIL	41,215,345
17	GEOSTEEL LTD. PRODUCTION OF FERROALLOYS AND STEEL	36,279,989
18	GWP WATER AND ENERGY SUPPLY	34,778,000
19	MARS LTD. (www.crystalbet.com) GAMBLING	34,060,000
20	PSP PHARMA GROUP LTD. PHARMACEUTICAL RETAIL	33,097,000
21	VTB COMMERCIAL BANK	32,369,000
22	ELIZI GROUP LTD. SALE OF TOBACCO PRODUCTS	31,631,765
23	JSC BASIS BANK COMMERCIAL BANK	29,889,000
24	ANAGI LTD. CONSTRUCTION	29,385,000
25	RICO EXPRESS LTD. MICROFINANCE ORGANIZATION	28,997,000
26	JTI CAUCASUS SALE OF TOBACCO PRODUCTS	27,159,152
27	TEGETA MOTORS LTD. VEHICLE AND VEHICLE PART SALES, AFTER-SALES SERVICE	26,956,000
28	GEOCELL LTD. COMMUNICATIONS	25,452,916
29	KAKHETIAN TRADITIONAL WINEMAKING GROUP ALCOHOLIC BEVERAGE PRODUCTION	23,278,568
30	JSC m <sup>2</sup> REAL ESTATE DEVELOPMENT	22,854,000
31	JSC PROCREDIT BANK COMMERCIAL BANK	22,661,000
32	AVERSI-PHARMA LTD. PHARMACEUTICAL RETAIL, HOSPITAL MANAGEMENT	22,629,000
33	JSC TELASI ENERGY, ELECTRICITY DISTRIBUTION	22,187,000
34	JSC CREDO BANK COMMERCIAL BANK	20,131,000
35	TOYOTA CAUCASUS LTD. SALE OF VEHICLES	20,110,213
36	BEVRIL GROUP LTD. BAKERY	20,108,960
37	CHIATURAMANGANUM GEORGIA GROUP METALLURGY, FERROALLOY PRODUCTION	19,493,838
38	JSC SILKNET COMMUNICATIONS	17,497,000
39	MSC GEORGIA LTD. LOGISTICS, MARITIME TRANSPORTATION	16,690,000
40	JSC ALDAGI INSURANCE	16,300,000
41	SUNSHINE LTD. (CASINO ADJARA) GAMBLING	16,269,125
42	RAKEEN UPTOWN DEVELOPMENT LTD. (TBILISI MALL) RETAIL	14,962,000
43	PERI LTD. CONSTRUCTION	14,548,000
44	JSC MEDICAL CORPORATION EVEX HEALTHCARE, HOSPITAL MANAGEMENT	13,654,000
45	ADJARA + LTD. (HOLIDAY INN TBILISI) HoReCa	13,572,000
46	SOCAR ENERGY GEORGIA LTD. SALE OF OIL PRODUCTS	12,282,000
47	ALTA LTD. SALE OF COMPUTERS, VIDEO AND AUDIO-TECHNOLOGY	12,246,466
48	EURO CREDIT LTD. MICROFINANCE ORGANIZATION	12,161,245
49	TERA BANK COMMERCIAL BANK	14,962,000
50	HALYK BANK COMMERCIAL BANK	11,857,000
51	UGT GROUP LTD. COMPUTER AND CONSULTING SERVICES	11,103,447
52	GRC LTD. PRODUCTION AND IMPORT OF CONSTRUCTION MATERIALS	11,095,000

<b>53</b>	MODUS LTD. (HYPERMARKET OF CONSTRUCTION MATERIALS) RETAIL	<b>11,083,126</b>
<b>54</b>	GT GROUP LTD. VEHICLE SALES AND SERVICE	<b>10,970,474</b>
<b>55</b>	GULF GEORGIA SALE OF OIL PRODUCTS	<b>10,799,000</b>
<b>56</b>	CHINA RAILWAY 23RD BUREAU GROUP LTD. PERMANENT BRANCH CONSTRUCTION	<b>10,396,879</b>
<b>57</b>	SINOHYDRO CORPORATION BRANCH IN GEORGIA LTD. CONSTRUCTION	<b>10,365,775</b>
<b>58</b>	PACE GEORGIA – POTI SEA PORT TERMINAL MANAGEMENT FREIGHT FORWARDING, WAREHOUSE OPERATION	<b>10,202,000</b>
<b>59</b>	NOVA LTD. PRODUCTION, IMPORT AND SALE OF CONSTRUCTION MATERIALS	<b>10,049,000</b>
<b>60</b>	ICR INTERNATIONAL CORPORATION LTD HoReCa	<b>9,791,540</b>
<b>61</b>	JSC ELIT ELECTRONICS SALE OF HOUSEHOLD TECHNOLOGY, COMPUTERS, VIDEO AND AUDIO TECHNOLOGY	<b>9,786,000</b>
<b>62</b>	JSC NIKORA RETAIL	<b>9,632,000</b>
<b>63</b>	BMC GORGIA LTD. (HYPERMARKET OF CONSTRUCTION MATERIALS) RETAIL	<b>9,503,291</b>
<b>64</b>	LC WAIKIKI RETAIL	<b>9,448,000</b>
<b>65</b>	MOULDS AND METALS GEORGIA LTD METALLURGY	<b>9,248,880</b>
<b>66</b>	ORBI GROUP LTD. CONSTRUCTION	<b>8,549,000</b>
<b>67</b>	JSC MICROFINANCE ORGANIZATION CRYSTAL MICROFINANCE ORGANIZATION	<b>8,135,000</b>
<b>68</b>	SANTE GMT PRODUCTS DAIRY PRODUCTS	<b>7,940,425</b>
<b>69</b>	NATAKHTARI – JSC LOMISI BEVERAGE PRODUCTION	<b>7,162,000</b>
<b>70</b>	DIPLOMAT GEORGIA LTD. DISTRIBUTION	<b>6,985,000</b>
<b>71</b>	PHILIP MORRIS GEORGIA LTD. SALE OF TOBACCO PRODUCTS	<b>6,855,969</b>
<b>72</b>	KULEVI OIL TERMINAL (BLACK SEA TERMINAL LTD.) FREIGHT FORWARDING AND WAREHOUSE OPERATION	<b>6,830,000</b>
<b>73</b>	GEORGIAN HOTEL MANAGEMENT GROUP (OPERATOR OF RADISSON HOTELS) HoReCa	<b>6,565,000</b>
<b>74</b>	JSC MICROFINANCE ORGANIZATION SWISS CAPITAL MICROFINANCE ORGANIZATION	<b>6,010,000</b>
<b>75</b>	IBERCOMPANY GROUP DEVELOPMENT	<b>6,001,373</b>

<b>76</b>	GEORGIAN DISTRIBUTION AND MARKETING COMPANY RETAIL, DISTRIBUTION	<b>5,903,000</b>
<b>77</b>	BOLERO & COMPANY LTD. BEVERAGE PRODUCTION	<b>5,852,372</b>
<b>78</b>	GEORGIAN PETROLEUM LTD. SALE OF OIL PRODUCTS	<b>5,675,000</b>
<b>79</b>	JSC COCA-COLA BOTTLERS GEORGIA BEVERAGE PRODUCTION	<b>5,639,000</b>
<b>80</b>	DUTY FREE ALLIANCE LTD. RETAIL	<b>5,518,000</b>
<b>81</b>	MARGEBELI GROUP BEVERAGE AND FOOD PRODUCTION	<b>5,114,000</b>
<b>82</b>	JSC GPI HOLDING INSURANCE	<b>5,012,000</b>
<b>83</b>	JSC GEORGIAN BEER COMPANY (ZEDAZENI) BEVERAGE PRODUCTION	<b>4,823,000</b>
<b>84</b>	SHARM TRADING LTD. RETAIL	<b>4,792,000</b>
<b>85</b>	LUKOIL GEORGIA LTD. SALE OF OIL PRODUCTS	<b>4,576,000</b>
<b>86</b>	CITADEL LTD. SALE OF CONSTRUCTION MATERIALS	<b>4,170,779</b>
<b>87</b>	DAYDREAM UNIVERSAL GEORGIA LTD. (BRAND NAME BETLIVE) GAMBLING	<b>4,137,720</b>
<b>88</b>	PORTAL LTD. (OIL COMPANY) SALE OF OIL PRODUCTS	<b>4,137,000</b>
<b>89</b>	ORI NABIJI LTD. RETAIL	<b>3,944,552</b>
<b>90</b>	GLOBALPHARM GROUP PHARMACEUTICAL PRODUCTION	<b>3,478,000</b>
<b>91</b>	RETAIL GROUP GEORGIA LTD. (IMPORTER OF ZARA, BERSHKA AND OTHER BRANDS) RETAIL	<b>3,006,000</b>
<b>92</b>	JSC SHERATON BATUMI JSC NUROL INSAAT VE TICARET REPRESENTATION IN GEORGIA HoReCa	<b>2,389,649</b>
<b>93</b>	MEGACO LTD. DISTRIBUTION	<b>2,024,000</b>
<b>94</b>	GDG Distribution Company DISTRIBUTION	<b>1,974,557</b>
<b>95</b>	BURJI LTD. CONSTRUCTION	<b>1,890,558</b>
<b>96</b>	JSC ALPHA INSURANCE	<b>1,780,000</b>
<b>97</b>	JSC UNISON INSURANCE	<b>1,360,000</b>
<b>98</b>	JSC INTERNATIONAL INSURANCE COMPANY IRAO INSURANCE	<b>1,138,000</b>
<b>99</b>	BARAMBO LTD. FOOD PRODUCTION	<b>1,050,000</b>
<b>100</b>	JSC TBC INSURANCE INSURANCE	<b>855,000</b>
<b>101</b>	JSC ARDI INSURANCE INSURANCE	<b>776,589</b>





**TAYLOR SWIFT**  
**NO. 1**

The songstress added to her reputation over the past 12 months with a massive stadium tour: 53 concerts, millions of attendees and a \$345 million gross. There's also her new Republic Records deal that could pay as much \$200 million.

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# CELEBRITY 100

Superhero flicks and Sin City residencies power our annual list of entertainment's top earners. Marvel movies have become the way for actors to earn Hulk-size paydays, while music's brightest stars head to Las Vegas for months at a time. The price of admission to the Celebrity 100 has never been higher: \$37.5 million, up 7% from a year ago.

EDITED BY ZACK O'MALLEY GREENBURG | REPORTED BY KURT BADENHAUSEN, MADELINE BERG, DAWN CHMIELEWSKI, HAYLEY CUCCINELLO, MONICA MERCURI, ARIEL SHAPIRO AND CHLOE SORVINO

## 1. TAYLOR SWIFT

\$185 MILLION MUSICIAN

## 2. KYLIE JENNER

\$170 MIL PERSONALITY

## 3. KANYE WEST

\$150 MIL MUSICIAN

## 4. LIONEL MESSI

\$127 MIL ATHLETE

## 5. ED SHEERAN

\$110 MIL MUSICIAN

## 6. CRISTIANO RONALDO

\$109 MIL ATHLETE

## 7. NEYMAR

\$105 MIL ATHLETE

## 8. THE EAGLES

\$100 MIL MUSICIANS

## 9. DR. PHIL

\$95 MIL PERSONALITY

## 10. CANELO ALVAREZ

\$94 MIL ATHLETE

## 11. ROGER FEDERER

\$93.4 MIL ATHLETE

## 12. HOWARD STERN

\$93 MIL PERSONALITY

## 13. J.K. ROWLING

\$92 MIL AUTHOR



### KYLIE JENNER NO. 2

In mid-November, Kylie Jenner marked a milestone moment with a visit to a strip mall. For the past three years, her Kylie Cosmetics had only sold its makeup online and briefly in pop up shops. But after signing an exclusive distribution deal with Ulta, the beauty retailer, Kylie Cosmetics was rolling its \$29 lip kits—a matte liquid lipstick and matching lip liner—into Ulta's 1,000-plus stores.

## 14. RUSSELL WILSON

\$89.5 MIL ATHLETE

## 15. DWAYNE JOHNSON

\$89.4 MIL ACTOR

## 16. AARON RODGERS

\$89.3 MIL ATHLETE

## 17. LEBRON JAMES

\$89 MIL ATHLETE

## 18. RUSH LIMBAUGH

\$87 MIL PERSONALITY

## 19. ELTON JOHN

\$84 MIL MUSICIAN

20. BEYONCÉ

\$81 MIL MUSICIAN

20. JAY-Z

\$81 MIL MUSICIAN

22. ELLEN DEGENERES

\$80.5 MIL PERSONALITY

23. STEPHEN CURRY

\$79.8 MIL ATHLETE

24. CHRIS HEMSWORTH

\$76.4 MIL ACTOR

25. DRAKE

\$75 MIL MUSICIAN

26. KIM KARDASHIAN WEST

\$72 MIL PERSONALITY

27. RYAN SEACREST

\$71.5 MIL PERSONALITY

28. JAMES PATTERSON

\$70 MIL AUTHOR

28. DIDDY

\$70 MIL MUSICIAN

30. METALLICA

\$68.5 MIL MUSICIANS

31. ROBERT DOWNEY, JR

\$66 MIL ACTOR

32. KEVIN DURANT

\$65.4 MIL ATHLETE

33. AKSHAY KUMAR

\$65 MIL ACTOR

34. TIGER WOODS

\$63.9 MIL ATHLETE

35. GORDON RAMSAY

\$63 MIL PERSONALITY

36. RIHANNA

\$62 MIL MUSICIAN

37. DAVID COPPERFIELD

\$60 MIL MAGICIAN

38. KEVIN HART

\$59 MIL COMEDIAN

39. TRAVIS SCOTT

\$58 MIL MUSICIAN

39. JACKIE CHAN

\$58 MIL ACTOR

41. JUSTIN TIMBERLAKE

\$57.5 MIL MUSICIAN

41. KATY PERRY

\$57.5 MIL MUSICIAN

43. ADAM SANDLER

\$57 MIL ACTOR

43. PINK

\$57 MIL MUSICIAN

43. BTS

\$57 MIL MUSICIANS

43. BRADLEY COOPER

\$57 MIL ACTOR

47. SCARLETT JOHANSSON

\$56 MIL ACTOR

48. BEN ROETHLISBERGER

\$55.5 MIL ATHLETE

49. ANTHONY JOSHUA

\$55 MIL ATHLETE

49. KHALIL MACK

\$55 MIL ATHLETE

49. LEWIS HAMILTON

\$55 MIL ATHLETE



GIANNIS ANTETOKOUNMPO NO. 75

The Greek Freak is the NBA's newly crowned MVP and is set to get his first Nike signature shoe, the Zoom Freak 1, in a deal that'll pay out \$10 million annually.

52. RUSSELL WESTBROOK

\$53.7 MIL ATHLETE

53. BILLY JOEL

\$52 MIL MUSICIAN

54. BRUNO MARS

\$51.5 MIL MUSICIAN

55. MIKE TROUT

\$50.6 MIL ATHLETE

55. NOVAK DJOKOVIC

\$50.6 MIL ATHLETE

57. EMINEM

\$50 MIL MUSICIAN

57. JIMMY BUFFETT

\$50 MIL MUSICIAN

59. JUDY SHEINDLIN

\$49 MIL PERSONALITY

59. FLEETWOOD MAC

\$49 MIL MUSICIANS

61. PHIL MICKELSON

\$48.4 MIL ATHLETE

62. PAUL MCCARTNEY

\$48 MIL MUSICIAN

62. ARIANA GRANDE

\$48 MIL MUSICIAN

64. JAMES HARDEN

\$47.7 MIL ATHLETE

65. CONOR MCGREGOR

\$47 MIL ATHLETE

66. DEMARCUS LAWRENCE

\$46.9 MIL ATHLETE

67. THE CHAINSMOKERS

\$46 MIL MUSICIANS

67. SEAN HANNITY

\$46 MIL PERSONALITY

69. STEVE HARVEY

\$45 MIL PERSONALITY

70. BRYCE HARPER

\$44.5 MIL ATHLETE

71. GUNS N' ROSES

\$44 MIL MUSICIANS

72. CHRIS PAUL

\$43.8 MIL ATHLETE

73. CHRIS EVANS

\$43.5 MIL ACTOR

74. KYRIE IRVING

\$43.3 MIL ATHLETE

75. GIANNIS ANTETOKOUNMPO

\$43.2 MIL ATHLETE

76. JENNIFER LOPEZ

\$43 MIL MUSICIAN

76. SOFIA VERGARA

\$43 MIL ACTOR

78. LUKE BRYAN

\$42.5 MIL MUSICIAN

79. DREW BREES

\$42.4 MIL ATHLETE

80. SIMON COWELL

\$42 MIL PERSONALITY

81. AARON DONALD

\$41.4 MIL ATHLETE

82. DAMIAN LILLARD

\$41.1 MIL ATHLETE

83. ROLLING STONES

\$41 MIL MUSICIANS

83. PAUL RUDD

\$41 MIL ACTOR

83. JERRY SEINFELD

\$41 MIL COMEDIAN

86. SEBASTIAN VETTEL

\$40.3 MIL ATHLETE

87. DJ KHALED

\$40 MIL MUSICIAN

87. THE WEEKND

\$40 MIL MUSICIAN

87. MARSHMELLO

\$40 MIL MUSICIAN

90. LADY GAGA

\$39.5 MIL MUSICIAN

91. BLAKE GRIFFIN

\$39.1 MIL ATHLETE

92. RORY MCILROY

\$39 MIL ATHLETE

92. DAVE MATTHEWS BAND

\$39 MIL MUSICIANS

94. PAUL GEORGE

\$38.6 MIL ATHLETE

95. ZAC BROWN BAND

\$38.5 MIL MUSICIANS

95. KENDRICK LAMAR

\$38.5 MIL MUSICIAN

95. CALVIN HARRIS

\$38.5 MIL MUSICIAN

98. BRANDIN COOKS

\$38 MIL ATHLETE

98. SHAWN MENDES

\$38 MIL MUSICIAN

100. CELINE DION

\$37.5 MIL MUSICIAN

ABOUT THE CELEBRITY 100: OUR LIST RANKS FRONT-OF-CAMERA ENTERTAINERS AROUND THE WORLD BY PRETAX INCOME FROM JUNE 1, 2018 TO JUNE 1, 2019, BEFORE DEDUCTING FEES FOR MANAGERS, AGENTS AND LAWYERS. OUR NUMBERS ARE BASED ON FIGURES FROM IMDB, NIELSEN MUSIC, NPJ BOOKSCAN, POLLSTAR AND INSIDER INTERVIEWS.



PAUL RUDD NO. 83

Avengers assemble! Six actors on the Celeb 100 were in Marvel movies this year, including Paul Rudd as Ant-Man. Spoiler alert! This may be the last time so many of the superheroes conquer the list after several fatal endings in *Avengers: Endgame*.

# Produce Hollywood in Georgia

*Fast & Furious 9 on the streets of Tbilisi: a new chapter in the history of the Georgian film industry and the 'Film in Georgia' program*

“Scene one, take one” – the director’s words are followed by a stuntman picking up speed on Vazha-Pshavela Avenue. Reaching Rustaveli Avenue, he loses control of the car... The plot may be simple, but this is a complicated scene from the upcoming film ‘Fast & Furious 9’. Most parts of the plot are being kept secret; we start the story of Georgia’s encounter with Hollywood with excitement

AUTHOR: DAVID JALAGHONIA  
PHOTO: KHATUNA KHUTSISHVILI

**D**espite all the secrecy, the shooting locations - Vazha Pshavela Avenue, Rustaveli Avenue, parts of Old Tbilisi and Betania - were widely known. These locations will provide the setting for the opening sequence of the exciting final 10 minutes of Fast & Furious 9. And so, Tbilisi will join the likes of Tokyo, Los Angeles, London and Rio de Janeiro on the list of locations that are familiar to fans of the franchise.

‘Enterprise Georgia’ had to negotiate for a full year in order to convince the creators of Fast & Furious to expand into Georgia. This included a visit by influential Hollywood producers to Georgia to familiarize themselves with the local landscape, history and character, as well as to taste Georgian wine and cuisine.

Readers may ask why film producers do not get a car to explode on the streets of an American city, and there is no simple answer to this question. However, one of the factors that has led to the cooperation between Hollywood and this country is the ‘Film in Georgia’ program, which refunds companies 20-25% of the producer’s qualified expenses. There are also other factors that attracted ‘Universal Studios’ to the streets of Tbilisi, more of which we will touch upon later.

First, let’s look at the commercial details of the Fast & Furious franchise: the original movie was released in 2001. It was a huge commercial success, earning a total of \$207 million at the box office with a \$38 million budget. The eighth and most recent installment cost \$250 million to produce, while revenues exceeded \$1.238 billion. According to current data, ‘Universal Studios’ will spend \$200 million on Fast & Furious 9, of which \$31 million will be spent in Georgia.

The contract for the ‘Film in Georgia’ program was signed in 2015 for 28 projects, 15 of which have already been completed. The agency’s film industry component has thus far brought in investments totaling more than 99.8 million GEL, while qualified expenses have amounted to 94.8 million GEL.

Forbes Georgia spoke to Mikheil Khidureli, the head of ‘Enterprise Georgia’, about the details of Georgia’s cooperation with Hollywood:

**On the back of the first cooperation with Hollywood, it can be said that 2019 is a breakthrough year for the film industry component of ‘Enterprise Georgia’. The Fast & Furious 9 team is already in Georgia. What did the agency do to secure this project?**

The production company ‘Enkeny Films FF9’ began negotiating on this project a year ago. I would like to point out that we managed to bring high-ranking representatives to Georgia. It is one thing to travel elsewhere for negotiations, but to have people come here and see everything for themselves is something completely different.

We were frequently asked at international exhibitions whether a Hollywood movie had been filmed in Georgia. I used to reply: “no, but an American film was.” In this regard, the program’s greatest success is to have achieved a breakthrough. Attracting Fast & Furious 9 to Georgia required active involvement of the local production firm ‘Enkeny Films FF9’. Ultimately, this company played an equally important role in bringing the project to the country.

We were picked among 17 countries because we offered them a flexible system, quick solutions and a comfortable cash back





program. Our readiness to help them quickly go through all the necessary procedures played a crucial role in the decision to award the project to Georgia.

We soon proved to 'Universal Studios' that they had made the right choice, as they went through all the processes within a few days. The government and local authorities acted quickly - at all levels - to issue the necessary decrees and secure permits. I must highlight the efforts of the program manager, Tatia Bidzinashvili, in achieving this great success. The 'Universal Studios' delegation that visited Georgia included its First Vice President and the CFO, who is the one who makes the decisions regarding filming locations. They could not believe how quickly the programme's one-window principle worked.

**Apart from your readiness to help with the procedures, what role did Tbilisi's landscape play in the successful negotiations with 'Universal Studios'?**

Indeed, the movie plot played an important role in this regard. Filming locations for this franchise are generally diverse and includes places such as Brazil and Thailand. However, what is important is that Tbilisi and Georgia will be identified in this film, which is not always the case. For example, parts of the previous installments were filmed in Puerto Rico, but the location was marketed as Brazil; there was little interest towards Puerto Rico from a marketing point of view. Not only will Georgia see financial benefits, with more than 1 million GEL being spent here each day during filming, but the marketing-related benefits, which would

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otherwise have cost an enormous amount in monetary terms, are substantial.

**What will be available to 'Universal Studios' in Georgia from technical point of view, and what will they have to bring with them?**

In this case, most of the equipment will be brought by them, while the service will be provided by a Georgian company. They will bring the cars and the technology that they need for shooting the film. Unfortunately, we also do not have stuntmen. We have no specialist who can drive a Porsche at 350km per hour down Rustaveli Avenue, crash the car deliberately and survive. Naturally, we realize that we are not yet ready to provide all the necessary services, but we will witness the creation of demand for film production in the country. The film industry must become a leading contributor to Georgian GDP, as is the case in many other countries.

**How long will the filming take place, and what can you tell us about the content of the scenes that will be shot in Tbilisi?**

Filming will take place from the middle of August until the middle of September. Locations will include Rustaveli Avenue and Vazha Pshavela Avenue, while some scenes will also be filmed in Betania. Certain streets in the city will be closed off during filming, and the Georgians' general lack of aggression towards the film industry plays a very important role here. For example, closing off parts of central Rome or Paris is very difficult, as filming takes place there quite often. This was another significant factor in awarding the project to Georgia.

As for the content, each installment of this franchise always has a hero and a villain. The plot centers on the clash between them and includes many car chases. The final 10 minutes of the movie will be filmed in Tbilisi. This is traditionally the most exciting part of any blockbuster film. Viewers pay most attention precisely to the final minutes, which provide the culmination and the ending of the plot. Therefore, I think that people also have a better chance to notice where these scenes were filmed.

I must also point out that this franchise has numerous fans who often visit the filming locations after the movie has been released. We can draw parallels to New Zealand and Croatia. Many tourists travel to Dubrovnik to visit the filming locations of 'Game of Thrones'. The same is the case with the 'Lord of the Rings' filming locations in New Zealand, where the tourism revenues grew from \$6 billion to \$9 billion per year following the release of the popular movies. As for Dubrovnik, it actually suffers from excessive numbers of tourists.

**Does the film crew, who will spend almost a full month in**

**Georgia, have any special requests that are typical from movie stars?**

Unfortunately, the stars did not travel to Georgia, although they may still appear in the scenes filmed in Tbilisi. This is a first step. On this occasion, we will be hosting highly qualified stuntmen, who will receive our full support. However, we are already negotiating about new film projects that will see big stars come to our country. They will certainly have complex and specific demands. We are currently working to ensure that we are prepared to host them both from the infrastructural and from a legal point of view.

It is good that we have already established friendly relations with these people. Even when someone spends one week in Georgia, they establish an emotional connection to our country. We are, therefore, already receiving specific recommendations and requests regarding new programs. Most importantly, 'Universal Studios' are telling us directly what they expect in order to bring new projects to Georgia in the future.

**What do they expect?**

For example, they want to choose new filming locations and to see their recommendations regarding the program being considered in order to make it more suitable for hosting top-class actors.

**How many future projects are you negotiating with Hollywood? Would it be possible to get them interested in elements of Georgian history and culture? Do you plan to make any proposals to their producers in this regard?**

Naturally, we are talking about new projects. First, I would point out that although Hollywood is financially an enormous industry, it is quite a closed little entity when it comes to human resources. Everyone knows and asks each other questions such as: when you filmed in Georgia, did it work? How quickly did you receive the cash back? How was the attitude from the government and the local population? What was the local production company like? We were often told that the professionalism displayed by us would be rewarded.

We are negotiating with 'Universal Studios' regarding several projects. There are also talks about filming a TV show. This would be a significant development, especially if Georgian themes can be incorporated.

Furthermore, we have begun talks regarding animated films, and have received specific tips about many cartoons being outsourced by studios to various countries, including the Eastern European region. We are, therefore, working hard to use this opportunity, create an animation studio and invite high-level specialists. We are being helped by the film center in this regard. Once the preparatory stage is finished, we plan to negotiate with Hollywood



about working on animated films in Georgia.

One could say that 'Universal Studios' will become our ambassador in these segments. I am certain that we will soon meet with representatives from 'Netflix', while my team is due to visit Los Angeles in November to attend the annual American film market. We expect Universal and other studios to help us gain access to all the major players. However, we will be going with our heads held high, as Georgia will have a Hollywood film under its belt by then.

**You mentioned Georgian themes. What did you mean specifically?**

I personally have an idea involving The Knight in the Panther's Skin, and I am trying to attract the Americans in Hollywood to it. There are many interesting episodes in Georgian history that can be used as themes for a TV show, and in my opinion, the Knight in the Panther's Skin story is in no way inferior to that of Vikings. It has elements of love, heroism, politics, etcetera. If we are to visualize Kajeti Castle and various scenes from the poem, we can imagine how interesting and extensive such a project could become. All of this cannot be realized in one day. These people will have to visit Georgia and stay here for a while, attending traditional Georgian feasts, listening to toasts and various stories. This whole process will take place organically. I have already given them several books about The Knight in the Panther's Skin as a gift, and now I am thinking about finding a script; if one already exists.

Apart from the Rustaveli epic, we also have battle art from Khevsureti and Mtiuleti that can be used to make a separate documentary. We have lots of material!

**Presumably, Hollywood has its own language of communication, which is more than just speaking English and giving a good account of yourself. You need people who can work on developing these channels within the American film industry. Are your existing staff resources enough to realize your current ambitions and goals?**

The only area where we do not have major problems is communication. Prior to travelling, we do our homework thoroughly. Our priority is to demonstrate the ease of filming in Georgia - the country's approach, the existing procedures, locations, knowledge and mapping of infrastructure. Naturally, we are accompanied by production companies that specialize in these matters. We, therefore, start our presentation with the existing filming environment in Georgia, which is followed by the production company talking about other specific issues.

**Georgians have also worked in Hollywood. For example, Themo Melikidze acted in Patriots Day. Are you in touch**

**with them, and is it possible to use their resources?**

To this end, we plan to implement a major project by organizing a homecoming event, where we will invite well-known and successful people who work outside Georgia. They will represent both the film industry as well as the business and investment sector. We will show them the country's potential. They care about Georgia, and we can tell them about the specific areas where we require investment. We are continuously expanding our database, and we ask everyone, including your readers, to write to us with information about successful people. We will also be setting up a hotline.

The Armenians are successfully operating a similar model, and we must at least try to adopt this scheme. I am certain that this will be a successful undertaking. Even if a hundred people travel to the event, it will have a great impact. If nothing else, we will get to know all these individuals. We are actively planning this event and we wish to establish deeper roots in Hollywood.

**Regarding the financial set-up of the 'Film in Georgia' program, you are currently refunding 20-25% of qualified expenses to those who produce films in Georgia. In some countries this figure is higher, while in others it is lower. Is this the best that we can currently offer investors in this field?**

I do not believe that the existing figure requires revision. It is interesting from a marketing point of view, but we also have very low taxes and an effective system compared to places such as Dubai; where cash back has been raised to 40%. We must look at their high taxes, which have caused the need to raise the refund figure. We have very low taxes and a highly flexible system.

**Which film exhibitions are you planning to attend soon?**

We will be attending both the Berlinale and the Cannes Film Festival in the spring. There are also exhibitions taking place in Hong Kong and Shanghai, and we will definitely be attending one of them. We are usually present at European events such as the London Focus. The European film market is important. It may not be financially as lucrative, but in terms of quality it is an attractive market.

**Let me ask you about the other 'Enterprise Georgia' projects. There are 12 banks involved in the credit guarantee scheme. From which sectors of the economy do you expect small and medium-scale businesses to express interest? When will the application process begin?**

We are already accepting applications, and our expectations are quite high. The field is quite broad, and the credit guarantee scheme is more than just a subsidy mechanism. It includes the

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Universal Pictures, HBO and independent managers visit to Georgia. Petra fortress, Adjara. 30.04.2019



hospitality industry, education, hi-tech laboratories and so on. Partner banks are also ready to examine all applications.

**Can we expect to see any changes in the existing programs, if so in which areas?**

We are thinking of checking which sectors are saturated and then make changes accordingly. We have a high sense of accountability towards society and our entrepreneurs. There is a BDO study on this issue, but we also have more recent findings on hand: the 202 startups subsidized by our agency to the tune of 28 million GEL in total, have contributed 140 million GEL in taxes to the country's budget. This means that for each Lari spent on subsidies, the country is recouping five times more in economic benefits. This does not even take into account the expansion of existing businesses.

As for the exports, we have spent 7 million GEL on exhibi-

tions in various countries, which has encouraged 159 million GEL's worth of exports. Thus, our earnings have far exceeded our expenses twentyfold.

Over the last two years, our team has spent quite a meager sum of 1.2 million on attracting investment and has managed to bring in a total of 119 million GEL during this period.

**When will the Small Grants Project resume?**

We will launch the communication campaign this autumn. Foremost of all, it is important to have more active communication to ensure that everyone has access to the necessary information and can participate. The funds will probably be issued in 2020, and we are thinking of increasing the amount to 30,000 GEL. We will also have special offers for the highland regions, where the required capital sharing will be 10% lower in order to stimulate development in said areas. **F**



## ECONOMICS

GELA BARSHOVI - CURRENT EVENTS

# A Few Among Many Reasons of Why to Invest in Georgia



**IF YOU ARE LOOKING** for a new location for your business, you should definitely consider the eastern European country of Georgia, which is ranked #6 in the World Bank Group's 2019 survey of 'doing business'. Sixth place should not be taken for granted; it was the result of more than a decade long commitment from the country to become one of the most attractive investment locations in the world.

if you don't trust the World Bank's ranking, please read the following article where I'll briefly explain only some of many advantages investors can enjoy if they relocate their business to Georgia. The most saving will be made on tax benefits, they are applicable for both natural and legal persons.

## EASE OF STARTING A BUSINESS

You need only one day and no capital to found a company in Georgia. No limitation applies to foreign shareholders and/or directors.

## BENEFICIAL CORPORATE INCOME TAX SYSTEM

Corporate income tax (CIT) is only 15% in Georgia and, moreover, the so-called 'Estonian CIT model' is applied within the jurisdiction. This means that tax is only paid upon the distribution of dividends by a company.

In other words, companies in Georgia do not pay any corporate income tax until the profit is distributed to share holders (except in some cases when a transac-

tion is deemed to be profit distribution). Therefore, if the company decides to re-invest the profit, no CIT is charged on the reinvested amount.

Notably, there is no special tax on capital gains in Georgia. Capital returns fall under the general CIT rules and 15% tax is payable only after profits are distributed.

## VAT

The VAT rate and VAT reverse charge rate is 18% in Georgia.

Both traditional and reverse VAT is payable only for business operations conducted within the territory of Georgia.

Starting in 2020, the entire VAT system in Georgia will be amended and harmonized with EU VAT rules. The process will facilitate trade relations between the EU and Georgian residents.

## WITHHOLDING TAX

The withholding tax rate for wages is 20% without deductions, plus a 2% contribution to the pension fund in the name of the company and a 2% contribution is also made by the employee.

Withholding tax on service remuneration is 10% in the case of non-residents. Here, one important exception is that the payment to a non-resident natural person for renting a property used for non-living purposes bears a 20% withholding tax rate.

Withholding tax on dividends is 5%. This is ap-

plicable in the case of payment to residents or non-residents. In addition, a dividend recipient Georgian resident natural person is not taxed on this income.

Withholding tax on interest is 5%; this applies to both residents and non-residents. In addition, a dividend recipient Georgian resident natural person is not taxed on this income.

Withholding tax on royalty payments is 5%; this is applicable to all non-residents.

If a Georgian taxpayer makes payments for services, royalties, or interest to a tax-haven-based person, a higher - 15%-withholding tax rate is applicable.

## GEORGIA'S RICH TAX TREATY NETWORK

Georgia has signed double taxation treaties with 56 states so far, most of which are based on the old (2008 and older) OECD model.

Almost half of Georgia's treaties provide exemptions to source taxation in Georgia on interest, dividends, and royalties.

## MULTIPLE TAX INCENTIVES

Georgia offers multiple tax incentives for corporations and natural persons, for example:

- [Free Industrial Zones](#)
- [Virtual Zone Persons](#)
- [Small business status](#)
- [Territoriality principle](#)
- [Low tax on rental income](#)

Some of them are described below.

There are several 'Free Industrial Zones' in the country where companies can register and pay almost zero tax.

If a Georgian company provides IT services abroad, they can easily obtain the 'Virtual Zone Person' certificate and pay 0% corporate income tax for such income even in case of distributing dividends (full exemption).

Natural person entrepreneurs with annual income of less than 500,000 Georgian Lari (about EUR 150,000 or USD 170,000)

pay only 1% of their revenue if they obtain a certificate of 'small business status'.

The territoriality principle applies to Georgian resident natural persons. Any income received by Georgian resident natural persons from non-Georgian source is exempt from personal income tax in Georgia. For example, dividends received from a non-resident company or pension received from abroad are not taxed in Georgia.

If resident or non-resident natural persons rent out a residential property used for living purposes only, a 5% income tax rate is applicable. The only precondition for enjoying the low tax rate is to apply to the Georgian tax administration and request the right of low taxation. Additionally, natural persons selling up to four apartments within four years are fully exempt from VAT.

Surplus income gained by natural persons from selling residential property and any land attached to it or from selling a car is also taxable at only 5%.

## LOW POSSIBILITY OF HIGH TAX

The Georgian tax administration has created guidelines on hundreds of tax issues that previously could not be clearly interpreted in the Georgian tax code. The manuals are publicly available and ensure that taxpayers can check the approaches of tax authorities regarding certain cases.

Even if a case does not fall into any of the above-mentioned manuals, a person can apply for an advance tax ruling from the tax administration, which costs approximately EUR 3,000 (USD 3,300). It takes a few weeks to a couple of months to receive an official answer, and this will be binding unless the law is changed.

## COMPREHENSIVE TRANSFER PRICING RULING

Since 2013, Georgia has a comprehensive legislation (tax code articles 126-129

and Ministry of Finance decree #423) on transfer pricing.

The most important issues are clarified in either decree #423 or in guidelines created by the tax administration, which are more detailed and explain all the steps of transfer pricing analysis. When the Georgian transfer pricing legislation does not cover any transfer pricing issue, then reference to 2010 OECD transfer pricing guidelines is made.

There are no substantial differences between Georgian and OECD transfer pricing approaches (only minor ones) except for a Georgian transfer pricing rule providing that transactions with a tax haven-based person are considered controlled transactions, and therefore, fall within the scope of transfer pricing rules regardless of the association of the parties.

## LOW WAGES & STRATEGIC GEOGRAPHIC LOCATION

The average salary in Georgia is less than \$400 per month and expenses for gas, electricity, and other utilities are considerably lower than in the EU. This is an additional reason for multinational companies to shift their manufacturing businesses here.

In addition, Georgia - bordering the Black Sea - represents a well-known silk road route and acts as a crossroad between Europe and Asia, which makes it a great location and hub for international trade. Europe, central Asia, the Middle East, and North Africa are easily accessible from the country.

This article has described only some of the advantages Georgia offers investors. Please consider that there is a lot that is not here. I hope you have already found enough good reasons to be interested in investing here, but if not yet; just let us explain more to you in subsequent articles. 



ECONOMICS

BESO NAMCHAVADZE - CURRENT EVENTS

# Prospects for Overcoming the Problem of Unemployment



**THE GEORGIAN POPULATION** regards unemployment as the gravest problem facing the country today. Around 60% of Georgians consider themselves unemployed. On the other hand, the National Statistics Office of Georgia (GeoStat) puts the unemployment figure at 12.7%. People clearly perceive themselves as unemployed far more easily than is determined by GeoStat's official methodology.

The aforementioned organization's methodology considers a person aged 15 years or above as unemployed if they have not worked (even for one hour) for seven days prior to being surveyed and have been actively seeking employment for at least one month. Consequently, people working in agriculture, private tutors, taxi drivers, independent salespeople and others who have worked for at least one hour during the seven days prior to being surveyed for the purpose of obtaining income (salary, natural income and profit) are employed.

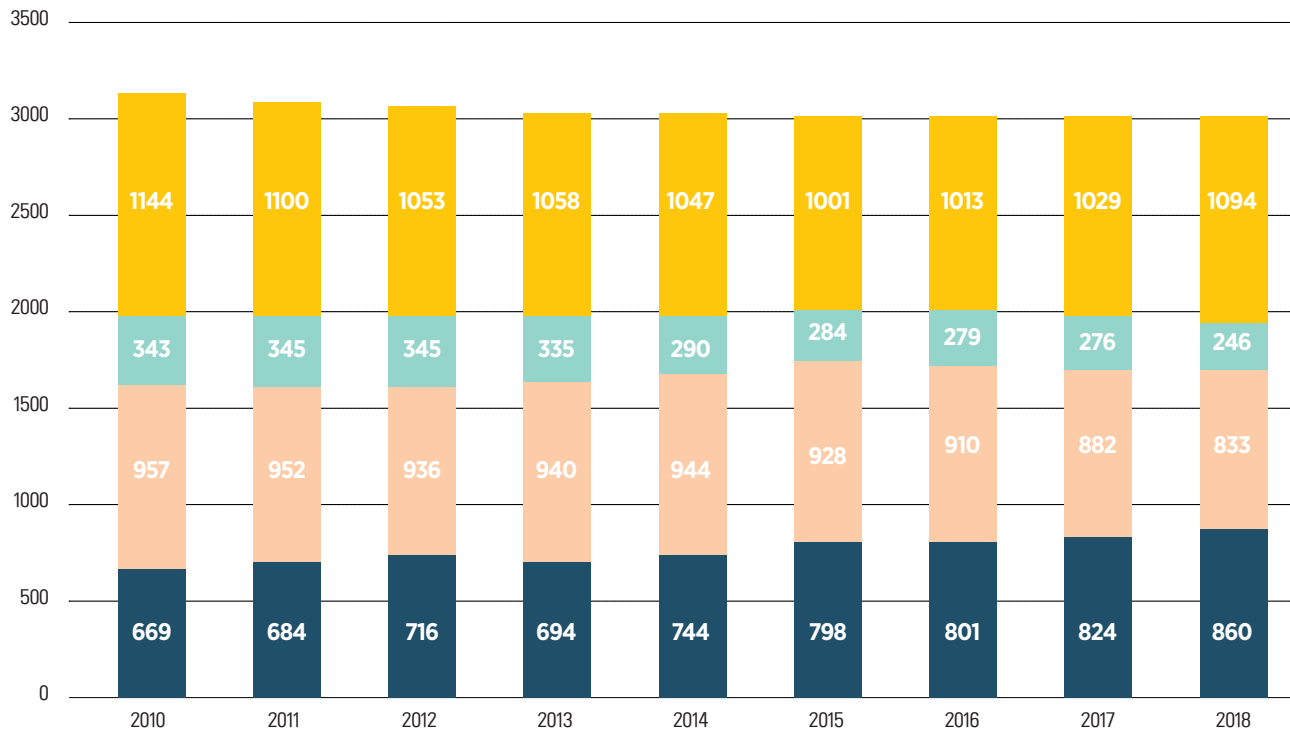
In another possible scenario, someone who has

not worked at all for the previous week may still not be considered unemployed if they are not actively seeking work. People who stay at home and wait for someone to hire them, or those who have savings and do not wish to work, do not fall under the unemployed category.

Consequently, approximately 600 out of the 1,000 surveyed individuals state that they are unemployed, while the 'GeoStat' data would only consider 127 of them to be out of work.

As of 2018, there were 3.7 million people living in Georgia, of whom approximately 3 million were aged 15 or above. There were 1.7 million people in employment, while 246,000 were unemployed, leaving more than one million people of working age (15 or above) who were neither working nor unemployed. The latter category includes people who were unable to perform work on health grounds or for other reasons (for example, due to being incarcerated), or who were not seeking to find a job. This includes half a

## Distribution of working-age population by economic activity (thousands)



Source: GeoStat

■ Hired
 ■ Self-employed
 ■ Unemployed
 ■ Population outside the workforce

million people who were either aged 15-19 or had reached the pension age and were, therefore, not interested in finding work. The remaining half a million either stayed at home doing family / housework or had lost hope of ever finding employment and so had stopped looking for work.

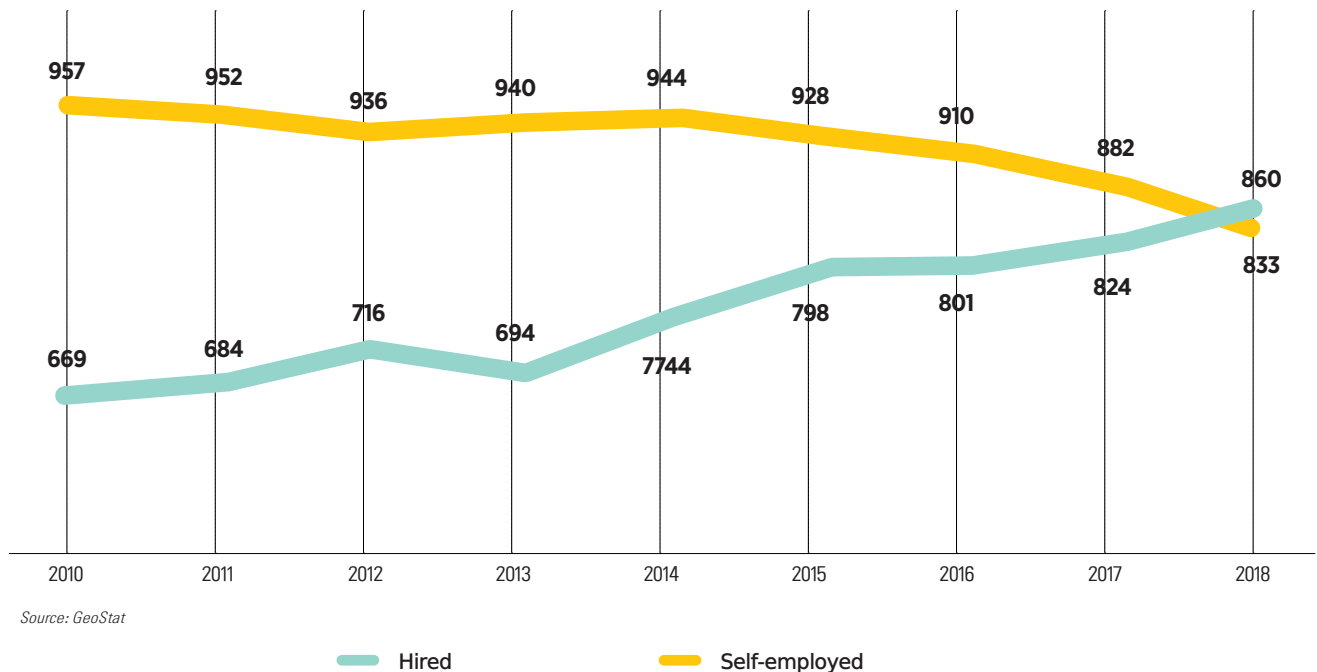
Let us now turn to the 1.7 million employed people. These include two distinct categories of individuals: those in formal employment and those who are self-employed. It is precisely the latter group that includes people who claim to be unemployed. As of 2018, there were 860,000 hired employees who received

a salary, while 833,000 did not have a regular job but were working individually, therefore, regarded as self-employed. The latter category includes the people working in agriculture, private tutors, taxi drivers, independent salespeople and so on. Some of these individuals are trying to obtain income through various means before they can find the job that they want. Resultantly, when new jobs are created in Georgia, they are not necessarily taken up by people who are officially unemployed. In theory, these new positions can be filled by the self-employed, which would mean that unemployment numbers would not

reduce.

Between 2012 and 2018, the number of people in work increased by 35,000, which is quite a low figure over a six-year period. However, the number of people in jobs (hired employees) went up by 144,000, while the number of self-employed individuals decreased by 103,000. The number of unemployed decreased by 99,000, yet the number of people who are not part of the labor force went up by 42,000. We must, therefore, presume that rather than finding work, some of the unemployed have simply stopped seeking employment and have

## Distribution of people in employment by hired and self-employed individuals (thousands)



left the labor force.

If we were to translate the official GeoStat statistics into an average Georgian person's perception, we would conclude that there are approximately 1.5 million people looking for a job in this country. In 2014-2018, the number of people in work grew by an average of 33,000 per year, and therein lies the problem: at this rate, it would take 45 years to employ 1.5 million people.

There are three ways to reduce unemployment: 1. Achieve economic growth - increased production of goods and services will require more workers; 2. Export the labor force - Georgian nationals start working in other countries; 3. Liberalize the market - remove barriers for employers.

The Georgian labor market is one of the

most liberal in the world: there is no minimum wage, hiring people is easy, there are no unemployment benefits, and while the upper limit of working hours exists, it is rarely enforced. These circumstances have been the subject of frequent criticism from human rights organizations, but from a purely economic point of view, and with regards to improving employment figures, having a labor market free of regulations is preferable. For many European countries, liberalization of the labor market is a way to tackle unemployment. In Georgia, any further liberalization is virtually impossible and would have no significant effect on unemployment figures.

There are two major causes of unemployment in Georgia: a small economy and an insufficiently qualified workforce. There are currently not enough adequately

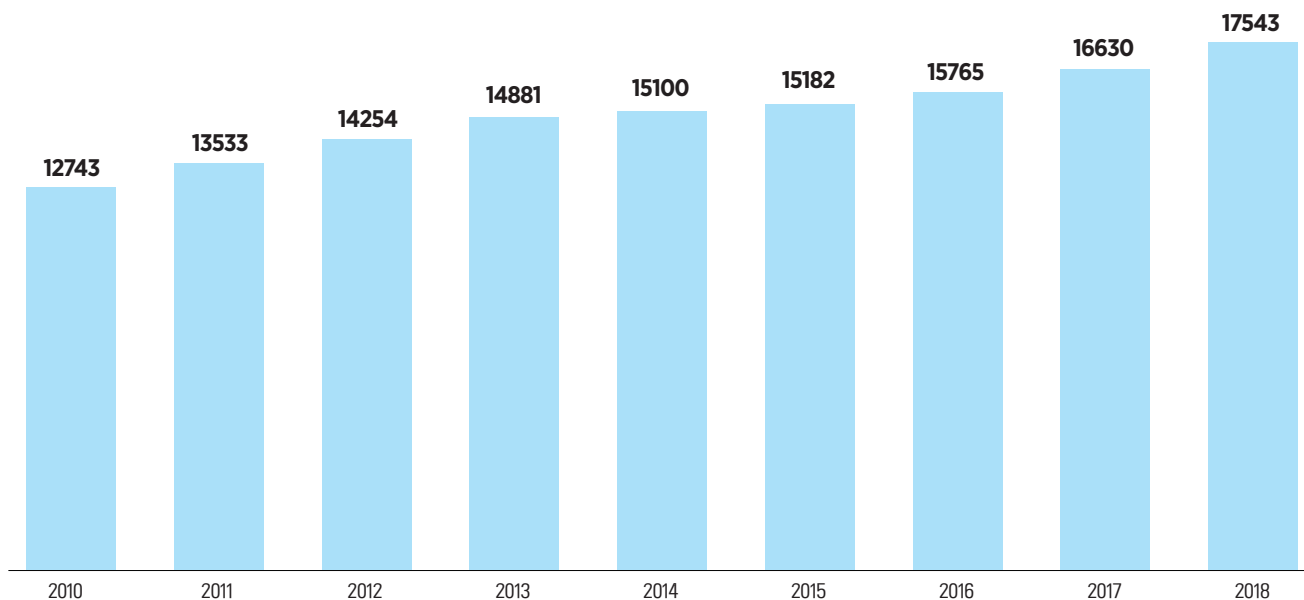
well-paid jobs in Georgia to satisfy the demand. Consequently, the only way to reduce unemployment levels in the short or medium term is to grow the economy and create new jobs. The low quality of middle and higher education in Georgia creates a shortage of medium and highly qualified staff. Hundreds of thousands of unemployed people do not have enough knowledge or qualification to fill specific vacancies.

The government cannot solve the unemployment problem by hiring more people in the public sector, as this will only lead to increased bureaucratic costs and a higher burden on the economy. This means that people in the private sector will lose their jobs on the back of an increase in public sector employment.

Whether consciously or not, politicians

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## One employed person's share in the Georgian economy in 2010 GDP prices (GEL)



Source: GeoStat

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promising to reduce unemployment are in effect promising to achieve high economic growth over the next few years. Although the problem of unemployment cannot be resolved completely, it can be substantially reduced, though not immediately, and not in one or two years. Even in some of the world's richest countries, such as Japan, Singapore and Germany, 2-3% of the population are unemployed. These are usually people who are looking for a better-paid job or a job that is better suited to their profession.

We must also remember that technological progress slows the process of tackling unemployment to a certain extent. Manual work is increasingly being replaced by computers and other technological solutions. For example, the cash deposit machines have eliminated the

need for thousands of cashiers and tellers. Large factories no longer require tens of thousands of employees either. Creation of new technologies creates jobs, but this only happens in countries that produce, rather than consume modern technology.

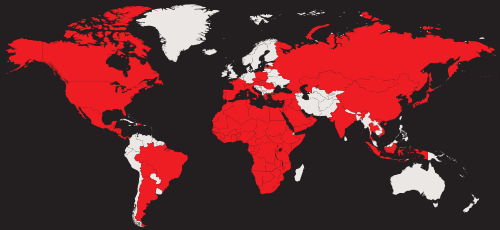
In terms of work productivity, the situation is as follows: in 2010, an employee created 12,700 GEL in added value for the Georgian economy, while in 2018 this figure grew to 17,500 GEL (not including the effect of inflation). This means that work productivity increased by 38%. Had it not increased at all, then the Georgian economy would have required 38% more employees in 2018 than in 2010; in reality, it only needed 4.1% more. Discounting the self-employed, we see that the number of hired employees increased by 29% during the same period, meaning that the new

jobs required certain qualifications and knowledge, reducing demand for self-employed individuals.

In 2018, the growth of one hired employee by one unit accounted for approximately 37,000 GEL from the country's GDP growth. Based on this ratio, the expected 4.5% economic growth in 2019 will create approximately 36,000 new jobs, which is not an insignificant number, but bearing in mind that 1.5 million people in the country are looking for jobs, we need the number of jobs to increase at a much faster rate. We should also bear in mind the impact of technological progress and work productivity. With these factors in mind, Georgia needs its economy to grow by at least 7% in order to create 50,000 new jobs per year and achieve real visible results with regards to tackling unemployment. **F**



# Georgia in The World of Forbes



**Mamuka Khazaradze**, one of Georgia's most famous entrepreneurs, is giving up business to take a stab at politics, possibly to challenge the ruling party controlled by billionaire Bidzina Ivanishvili.



Georgia is the world's third-largest miner of cryptocurrency. "Blockchain . . . improves the systems and services that people around the world use every day," says **Valery Vavilov**, cofounder of crypto unicorn Bitfury.



**Revaz Vashakidze** is the founder of Chirina, the rare vertically integrated food company in Georgia.