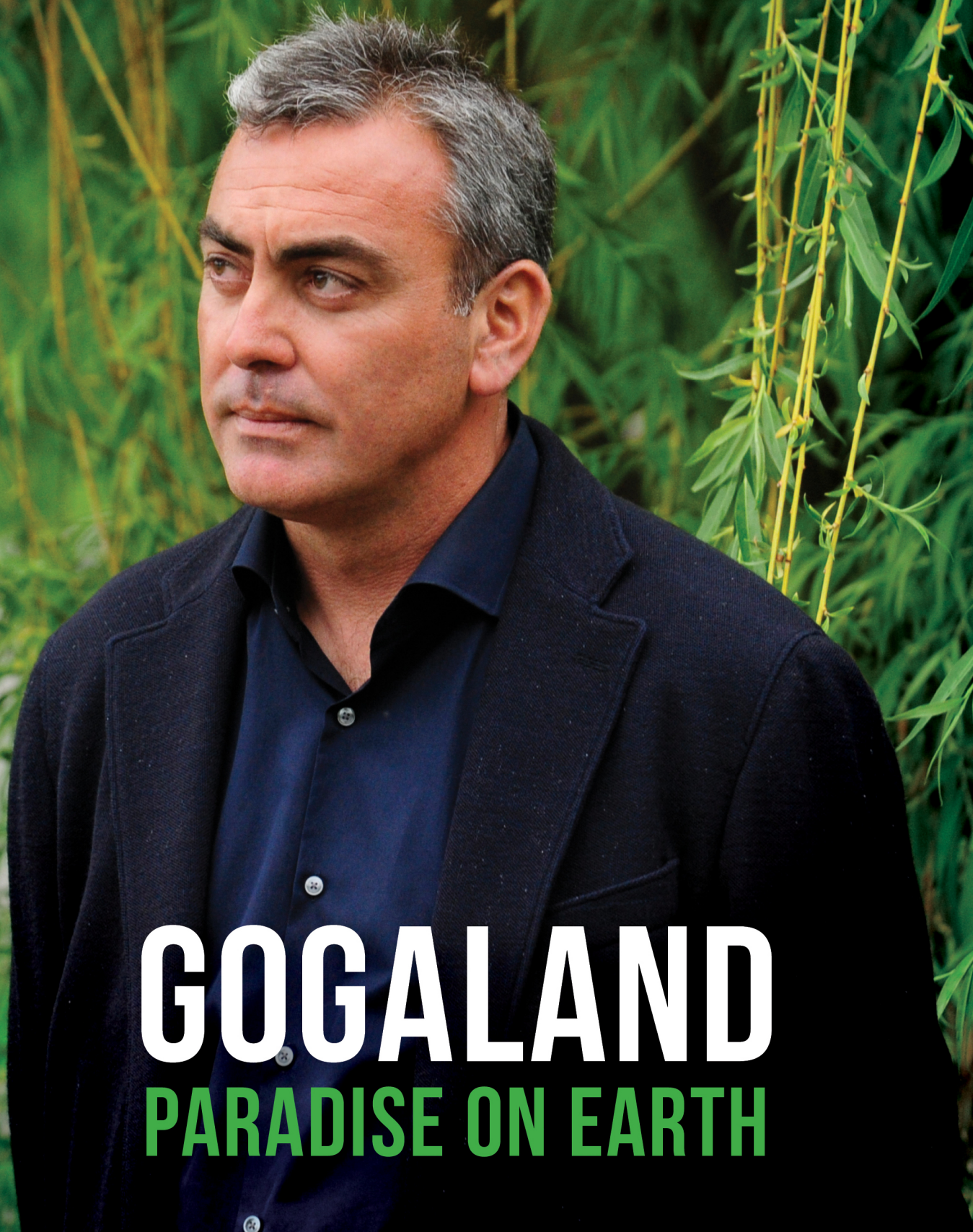


ENGLISH ISSUE - MARCH 2021

Forbes

GEORGIA



GOGALAND
PARADISE ON EARTH



PRE-SHAVE AND BEARD OIL – 50ml:

- Multi-function formula: to prepare the beard for shaving or to style and soften dry beard.
- Extra protection for the most delicate skin.
- Allows the razor to slide smoothly and makes shaving more pleasant.
- Does not weigh down the beard.
- With certified extract of organic Alkekengi, and enriched with Almond and Jojoba Oil with nourishing and soothing properties.

SOOTHING BEARD GEL - 200ml:

- Delicate and ideal for all skin types.
- Thick texture, excellent for a quick and daily shave but also for a more ritualistic and detailed oriented approach.
- Formula with delicate surfactants.
- With certified extract of organic Alkekengi



AFTERSHAVE AND MOISTURIZING CREAM - 100 ml:

- Moisturizing, delicate and soothing formula with light texture.
- To use as aftershave, as well as daily moisturizer cream.
- Recommended in case of after shaving redness.
- With certified extract of organic Alkekengi, and enriched with Shea and Babassu butter with nourishing and protective properties.

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LeaderBoard

2021 Predictions: What Experts See in the Year Ahead

Making predictions is a tricky business at the best of times, but especially so after a year of upheaval. Even so, that didn't stop people from trying their hand at reading the crystal ball. If anything, the uncertainty creates a stronger temptation for us to try to forecast the year ahead.

Out of the thousands of public 2021 predictions and forecasts available, there are plenty of one-off guesses. However, things really get interesting when a desperate majority of experts begin to agree on what might happen. In some ways, these predictions from influential experts and firms have a way of becoming self-fulfilling prophecies, so it's worth paying attention even if we're skeptical about the assertions being made.

This year, we more than doubled the number of sources analyzed for our 2021 Predictions Consensus graphic, including outlooks from financial institutions, thought leaders, media outlets, consultancies, and more. Let's take a closer look at seven of the most popular predictions:

BY NICK ROUTLEY

2021 PREDICTIONS



PREDICTION
CONSENSUS

OFFICIAL BINGO CARD

We analyzed 200+ articles, whitepapers, podcasts, and interviews to create this big picture look at what experts predict for the coming year.

<p>ESG reaches a tipping point</p>	<p>Brands must be authentic and values-driven</p>	<p>Big Tech backlash continues</p>	<p>Bitcoin hits the \$50,000 mark</p>	<p>Certain mid-sized U.S. cities get a boost (everybody loves Austin)</p>
<p>Facebook will bend, and possibly break</p>	<p>A broad trend of decentralization</p>	<p>China has a strong 2021</p>	<p>Individuals and employers start taking wellness seriously</p>	<p>Inequality continues to worsen (k-shaped recovery)</p>
<p>U.S. cities get creative with space and mobility</p>	<p>Movie theaters begin their next act</p>	<p>A great rethinking of office life is underway</p>	<p>American Millennials answer the call of the suburbs</p>	<p>A weakening U.S. dollar</p>
<p>"Summer of Love" 2021</p>	<p>Strong U.S. housing market</p>	<p>Cautious optimism about the European economy</p>	<p>Most companies will embrace a hybrid work model</p>	<p>A souring outlook on SPACs* (*special purpose acquisition company)</p>
<p>Positive growth for small cap stocks</p>	<p>Global GDP growth (likely +5-6%)</p>	<p>Low and stable mortgage rates</p>	<p>Ballooning debt and deficits</p>	<p>All eyes on Apple (growth, acquisitions, and new products)</p>

Sources: Financial Times, Washington Post, Wall Street Journal, The Economist, Bloomberg, CNBC, Forbes, Fortune, USA Today, Business Insider, Fast Company, Mashable, Kleiner Perkins, Saxo Bank, Pitchbook, Scott Galloway, TechCrunch, Financial Post, Entrepreneur, The Guardian, The Street, Motley Fool, Yahoo Finance, Natixis, BofA Global Research, Morgan Stanley, Forrester, CBRE, Zillow, Gartner, Deloitte, Goldman Sachs, UBS, Euromonitor, Oilprice.com, Nikkei Asian Review, Kiplinger, Loup Ventures, The Verge, TrendHunter, Rigzone, Money Control, SearchBlog, Fitch Solutions, LinkedIn, Vanguard, BlackRock, The Information, ThinkAdvisor, Nasdaq, Ray Dalio, Credit Suisse, Federal Reserve, IMF, Peter Thiel, Scope Ratings, Dambisa Moyo, TD Securities Pictet, Wood Mackenzie, Franklin Templeton, ING, JPMorgan, NatWest, Société Générale, Fidelity, BNY Mellon, Allianz Investment Management, Citi, Pimco, Lombard Odier, Jackson Hole Economics, HSBC Asset Management, Mizuho, Neuberger Berman, DWS, Shopify, Blue Frontier, Wired, Variety, Re_Set, HBR After Hours, New York Post, Exponential View, Morning Brew, ComputerWorld, Ipsos, The Atlantic, Kearney Global Trends, Market Watch, PwC, and more.



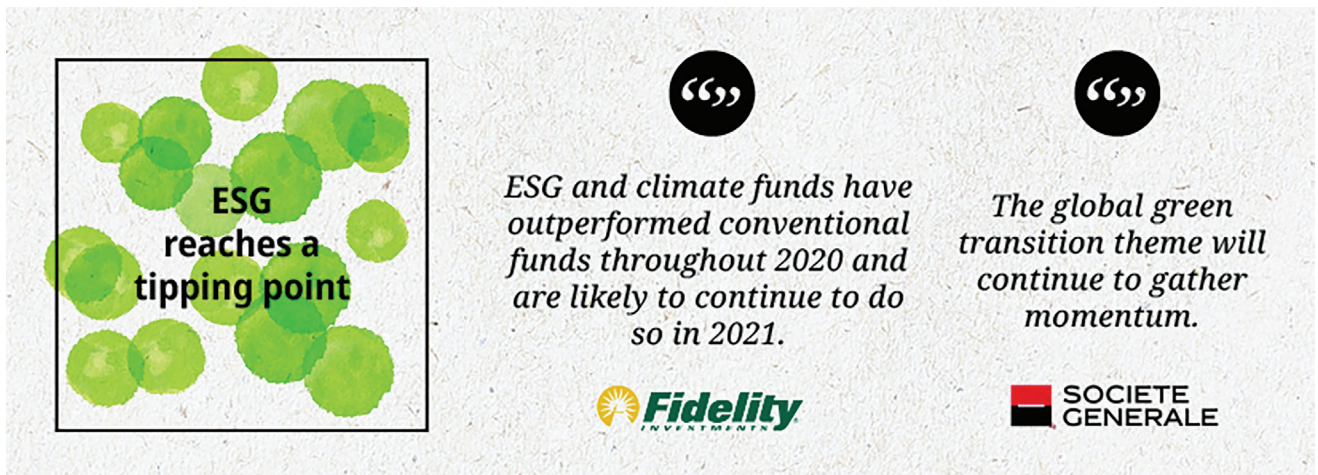
COLLABORATORS RESEARCH Nick Routley & VC editorial team | DESIGN Nick Routley

LeaderBoard

ESG Reaches a Tipping Point

It seems like only recently that the term ESG gained mainstream traction in the investment community, but in a short amount of time, the trend has blossomed into a full-blown societal shift. In 2020, investors piled a record \$27.7 billion of inflows into ETFs traded in U.S. markets, and that momentum only appears to be growing.

Fidelity, among others, noted that climate funds are delivering superior returns, which makes ESG an even easier sell to investors. Nasdaq has tapped ESG to be “one of the hottest trends” over the coming year.



ESG reaches a tipping point

ESG and climate funds have outperformed conventional funds throughout 2020 and are likely to continue to do so in 2021.

The global green transition theme will continue to gather momentum.

Fidelity INVESTMENTS

SOCIETE GENERALE

China has a Strong 2021

Financial institutions that issue predictions generally hedge their language quite a bit, but on this topic they were direct. The world's most populous country has already left the pandemic behind and is back to business as usual. Of the institutions that mentioned a specific number, the median estimate for GDP growth in China was 8.4%.



China has a strong 2021

2021's recovery will be led by China.

Economic activity in China has already largely normalized.

We forecast full-year growth of 10.2% for China.

SCOPE

UBS

FitchSolutions

A Souring Outlook on SPACs

Much like any hot trend, once enough people get on the bandwagon the mood begins to sour. Many experts believe that special purpose acquisition companies (SPACs) are going to enter that phase in 2021.

SPACs had a monster year in 2020, raising \$82 billion in capital. That's more funds in one year than in the last 10 years combined. Of course, now that these 200+ companies are flush with capital, they'll need to find a target. Scott Galloway argues that SPACs "are going to vastly underperform over the next two to three years" since there aren't enough good opportunities to satisfy that level of demand.



A souring outlook on SPACs*
(*special purpose acquisition company)



This SPAC trend stinks of easy money and honeytraps for unsophisticated investors and shady operators.

JOHN BATTELLE



There just aren't enough good private companies out there. Which means they're going to overpay.


SCOTT GALLOWAY

Brands Must be Authentic and Values-driven

Over the past few years, brands have become increasingly values-driven. In their 2021 predictions, experts see this trend being pushed even further.

Millennials, which are now the largest generation in the workforce, are shaping society in their own image, and the expectation is that companies have an authentic voice and that actions align with words. This trend is augmented by the transparency that the internet and social media have enabled.

Being a "values-driven" company can mean many things, and often involves focusing on a number of initiatives simultaneously. At the forefront is racial inequality and diversity initiatives, which were a key focus in 2020. According to McKinsey, nine out of ten employees globally believe companies should engage in diversity and inclusion initiatives. When the chorus of voices grows loud enough, eventually actions must follow.



Brands must be authentic and values-driven



When you see businesses lay down measurable targets, and then take the additional step of tying those targets to compensation, that's when you really start to see progress.

YOUNGME MOON



Brands have taken over the role of accelerating the personal growth of their customers.

TRENDSHUNTER

LeaderBoard

A Great Rethinking of Office Life is Underway

The great work-from-home experiment will soon be approaching the one-year mark and a lot has changed in a short amount of time.

Even firms that were incredibly resistant to remote work found themselves in a position of having to adapt to new circumstances thanks to COVID-19. Now that the feasibility of at-home work has been proven, it will be tough for companies to walk things back to pre-pandemic times. Over 2021, millions of companies will begin reengineering everything from physical offices to digital infrastructure, and this has broad implications on the economy and our culture.



A great rethinking of office life is underway



Organizations will increasingly focus on what matters most: work done instead of hours worked, and missions accomplished instead of tasks completed.

THE
ENTERPRISERS
PROJECT



The post-COVID-19 workplace will shift from a place where people work to a place where teams meet, socialize, and connect.

Deloitte.

Individuals and Employers Start Taking Wellness Seriously

The past year was not good for our collective mental health. In response, many companies are looking at ways to support employees from a health and wellness standpoint. One example is the trend of giving teams access to meditation apps like Headspace and Calm.



Individuals and employers start taking wellness seriously



To attract staff in the future, it will be necessary for businesses to emphasise health and wellness along with flexible working.

RE_SET



A lot of focus will be on the wellness aspects of office buildings.

moneycontrol

Big Tech Backlash Continues

Among experts, there's little doubt that the Big Tech backlash will bleed over into 2021. There is a divergence of opinion on exactly what will happen as a result. There are three general themes:

1. Regulators will admonish and threaten Big Tech publicly, but nothing concrete will happen.
2. Facebook will be broken up into parts (Facebook, Instagram, and WhatsApp)
3. Companies will proactively change their business practices and look for ways to settle quickly

Aside from the thread of regulatory action, the tech sector is facing a bit of an identity crisis. Silicon Valley is grappling with the reality that the center of gravity is shifting. Pitchbook notes that Bay Area will fall below 20% of U.S. deal count for first time, and there have been very public departures from the valley in recent months.

Faced with pressure from a number of different angles, the technology sector may have a year of soul-searching ahead.

Big Tech backlash continues

It's going to be the year of the settlement, more than it is going to be the year of protracted litigation.

RAWI ABDELAL

We believe Google and Amazon will take Apple's lead in proactively adjusting business practices to soften the threat of regulation.

LOUPVENTURES

The Elephant in the Room

COVID-19 is the one factor that impacts nearly every one of these 2021 predictions, yet, there were few predictions-and certainly no consensus from experts-on vaccine rollouts and case counts. It's possible that the complexity of the pandemic and the enormous task of dealing with this public health crisis makes it too much of a moving target to predict in specific terms.

In general though, expert opinions on when we'll return to a more "normal" stage again range from the summer of 2021 to the start of 2022. With the exception of China, most major economies are still grappling with outbreaks and the resulting economic fallout.

It remains to be seen whether COVID-19 will dominate 2022's predictions, or whether we'll be able to look beyond the pandemic era.

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The World Leaders In Positions of Power

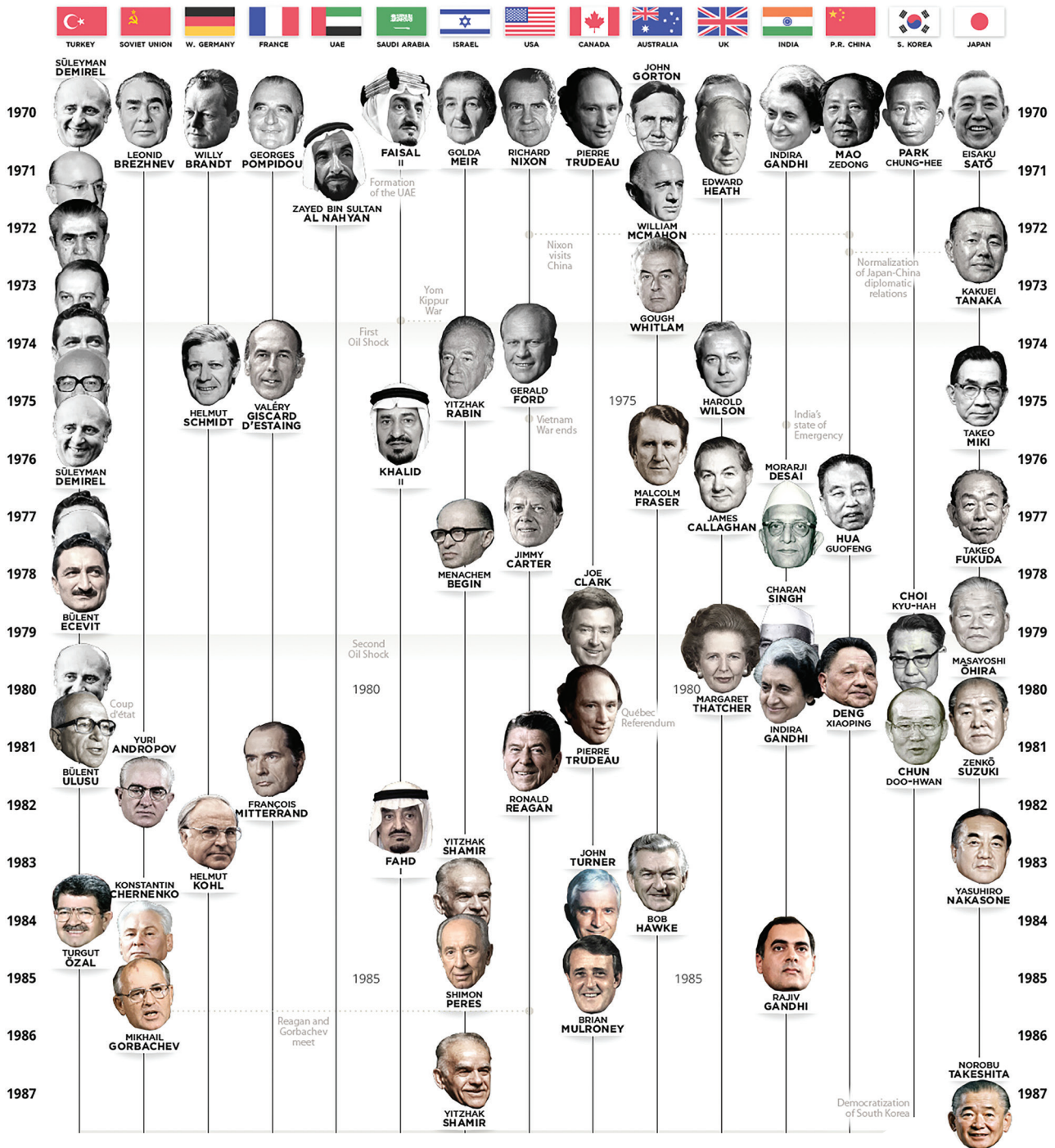
Who were the world leaders when the Berlin Wall fell? How many women have been heads of state in prominent governments? And who are the newest additions to the list of world leaders?

This graphic reveals the leaders of the most influential global powers since 1970. Countries were selected based on the 2020 Most Powerful Countries ranking from the U.S. News & World Report.

BY AVERY KOOP

POSITIONS OF POWER

A VISUAL GUIDE TO WHO WAS IN POWER FROM 1970 TO TODAY



LeaderBoard

The 1970s: Economic Revolutions

Our graphic starts in 1970, a year in which Leonid Brezhnev ruled the Soviet Union, while on the other side of the Iron Curtain, Willy Brandt was presiding over West Germany.

In the U.S., Richard Nixon implemented a series of economic shocks to stimulate the economy, but resigned in scandal due to the Watergate tapes in 1974. In the same time period, China was undergoing rapid industrialization and economic hardship under the final years of rule of communist revolutionary Mao Zedong, until his death in 1976.

In 1975, the King of Saudi Arabia, Faisal bin Abdulaziz Al Saud was assassinated by his nephew. The decade also marked the end of Park Chung-Hee's dictatorship in South Korea when he was assassinated in 1979.

To cap off the decade, Margaret Thatcher became the first female prime minister of the United Kingdom in 1979, transforming the British economy using a laissez-faire economic policy that would come to be known as Thatcherism.

The 1980s: Reaganomics and the Fall of the Wall

The 1980s saw Ronald Reagan elected in the U.S., beginning an era of deregulation and economic growth. Reagan would actually meet the Soviet Union's president, Mikhail Gorbachev in 1985 to discuss human rights and nuclear arms control amid the tensions of the Cold War.

The 1984 assassination of the Indian prime minister, Indira Gandhi was also a defining event of the decade. She was succeeded by her son, Rajiv Gandhi for only seven years before his own assassination in 1991.

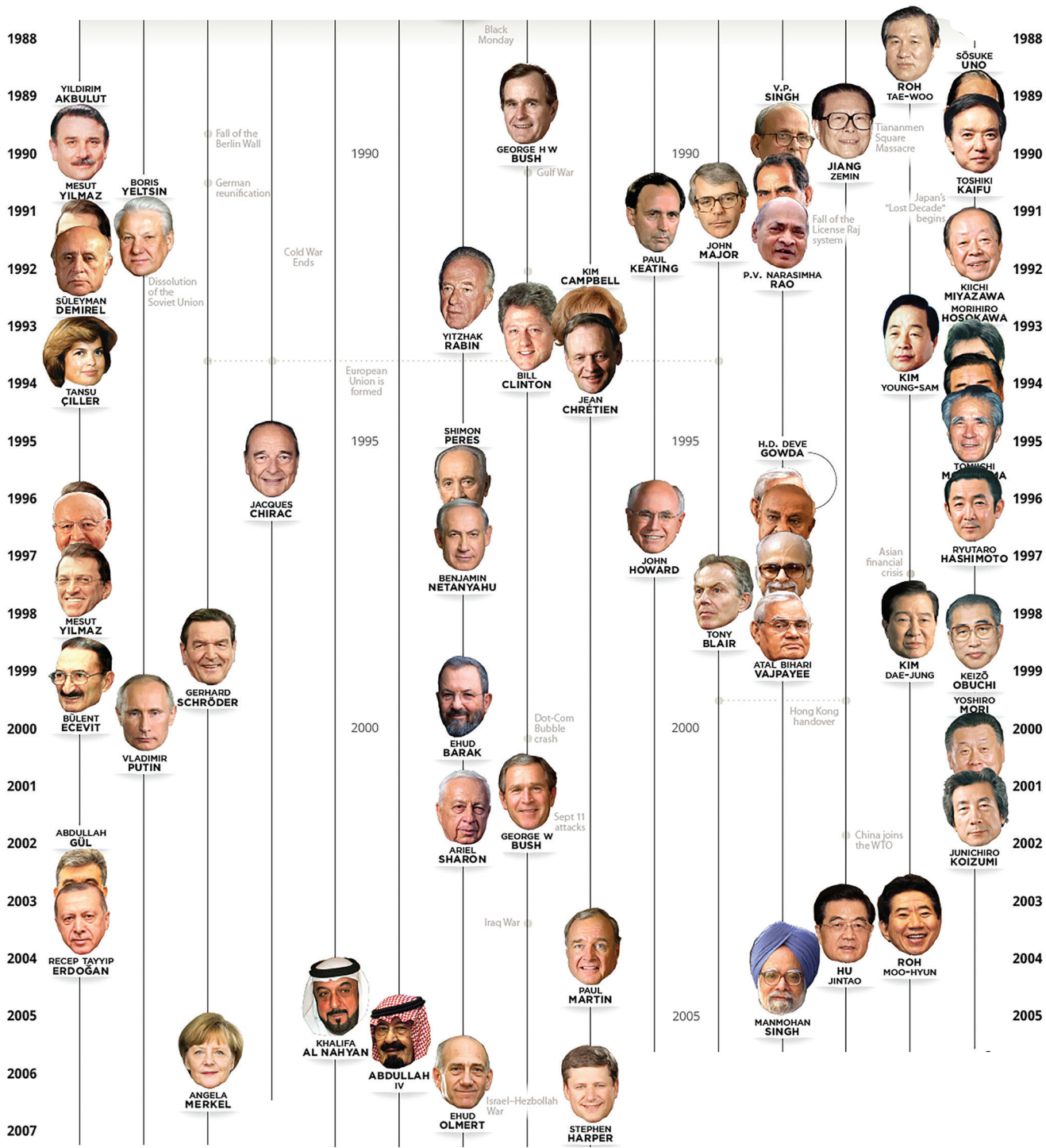
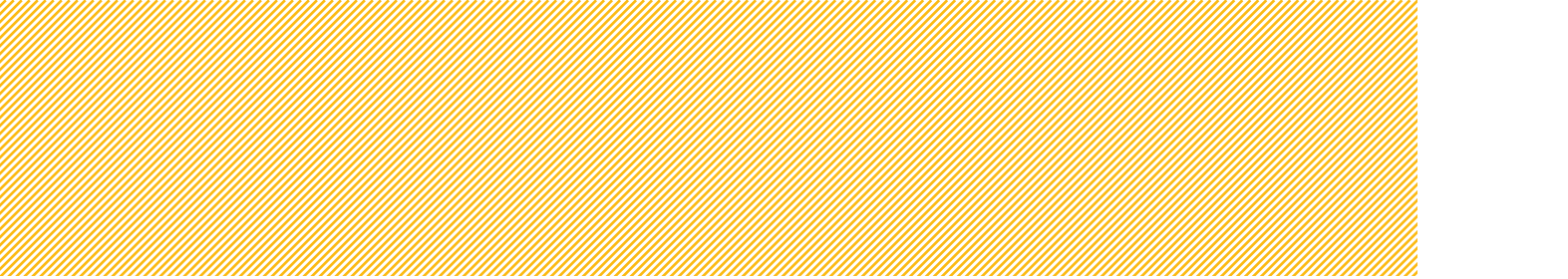
The '80s were clearly turbulent times for world leaders, especially towards the end of the decade. In 1989, the Berlin Wall fell and Germany was reunified under chancellor Helmut Kohl. 1989 was also the year when the devastating events occurred at the Tiananmen Square protests in China, under president Deng Xiaoping. The event left a lasting mark on China's history and politics.

The 1990s: War 2.0 and the Promise of the EU

The beginning of a new decade marked the end of the Cold War and the fall of the Soviet Union, leading to Boris Yeltsin's position as the first president of the Russian Federation. A sense of peace, or at least the knowledge that a finger wasn't floating above a nuclear launch button at any given moment, brought a sense of global calm.

However, this does not mean the decade was without conflict. The Gulf War began in 1990, led by the U.S. military's Commander-in-Chief George H.W. Bush. In the mid-90s, prime minister Yitzhak Rabin of Israel was assassinated by Jewish extremists.

In spite of this, the '90s were a time of optimism for many. In 1993, the European project began. The European Union was founded with the support European leaders like the UK's prime minister John Major, France's president Francois Mitterrand, and chancellor Helmut Kohl of Germany.



LeaderBoard

The 2000s: Historic Firsts and Power Shifts

The dawn of a new century had people feeling both hopeful and scared. While Y2K didn't end the world, many transformative events did occur, such as the 9/11 attacks in New York and the subsequent war on terror led by U.S. president George W. Bush.

On the other hand, Angela Merkel made history becoming the first female chancellor of Germany in 2005. A few years later, Barack Obama also achieved a momentous 'first' as the first African-American president in the United States.

The 2000s to early 2010s also revealed rapidly changing power shifts in Japan. Shinzō Abe rose to power in 2006, and after five leadership changes in seven years, he eventually circled back, ending up as prime minister again by 2013—a position he held until late 2020.

Country	Number of Leaders Since 1970
 Japan	25
 Turkey	18
 India	12
 Australia	12
 UK	10
 USA	10
 South Korea	10
 Israel	9
 Canada	9
 Russia	7
 France	7
 China	6
 Germany	5
 Saudi Arabia	5
 UAE	2

The 2010s: World Leaders Face Uncertainty

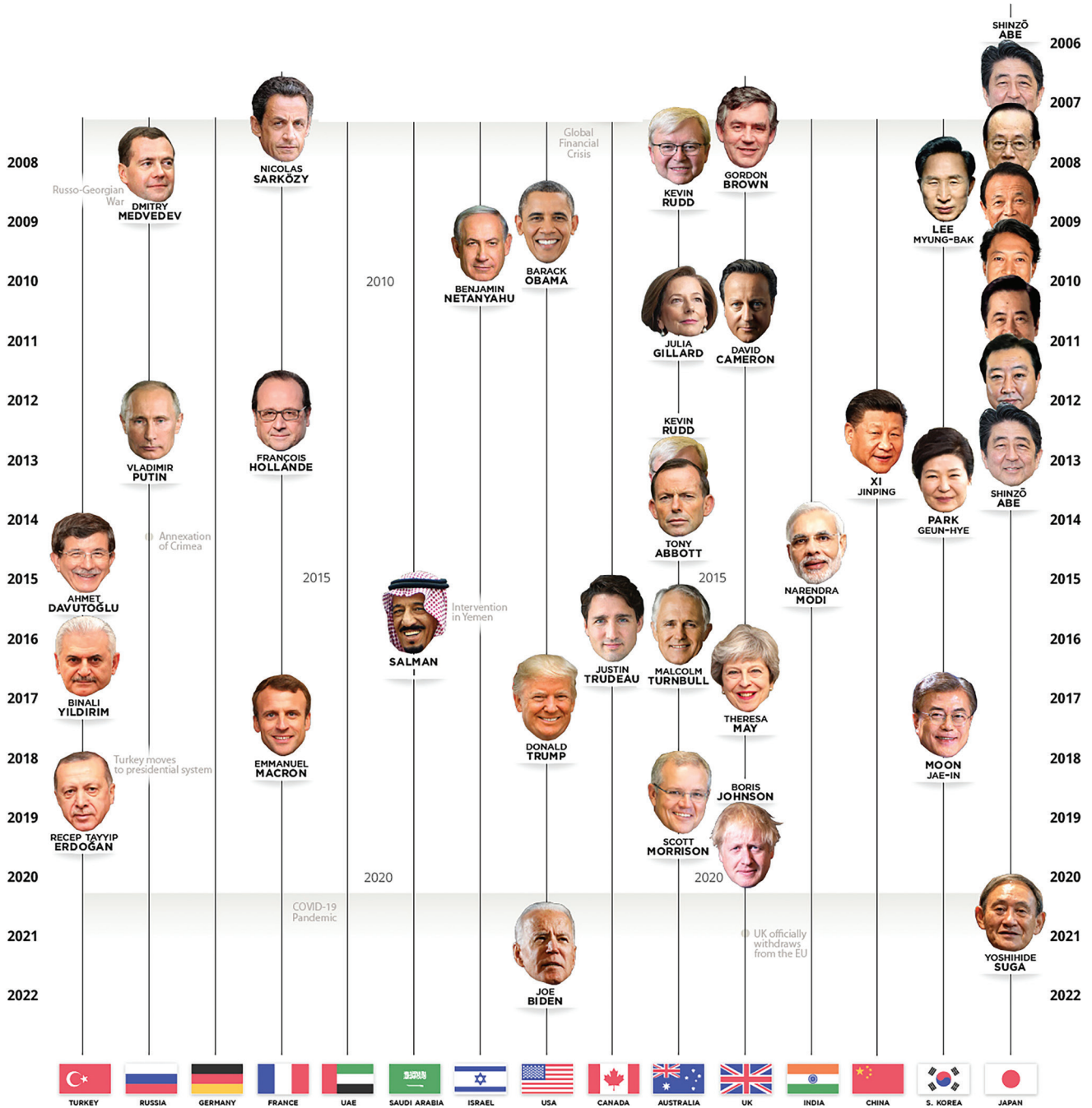
The 2010s were more than eventful. The Hong Kong protests under Chinese president Xi Jinping, and the annexation of Crimea led by Vladimir Putin, uncovered the wavering dominance of democracy and international law.

UK Prime Minister David Cameron's move to introduce a Brexit referendum, resulted in just over half of the British population voting to leave the EU in 2016. This vote led to a rising feeling of protectionism and a shift away from globalization and multilateral cooperation.

Donald Trump's U.S. presidential election was a shocking political longshot in the same year. Trump's stint as president will likely have a longstanding impact on the course of American politics.

Two countries elected their first female leaders in this decade: president Park Geun-Hye in South Korea, and prime minister Julia Gillard in Australia. Here's a look at which global powers have been led by women in the last 50 years.

Country	Female Leader
 Australia	Julia Gillard
 Canada	Kim Campbell
 Germany	Angela Merkel
 India	Indira Gandhi
 Israel	Golda Meir
 South Korea	Park Geun-Hye
 Turkey	Tansu Ciller
 UK	Margaret Thatcher
 UK	Theresa May



Sources: Wikipedia, national websites. Countries selected from the Power Ranking by USNews + BAV Group + Wharton School of the University of Pennsylvania
 Notes: Acting leaders are omitted. Switzerland has been omitted due to the swiftly changing nature of their national leadership. Current as of Jan 20, 2021

COLLABORATORS RESEARCH & DESIGN Nick Routley | EDITING Avery Koop

/visualcapitalist @visualcap visualcapitalist.com

2020 to Today

No one can avoid talking about 2020 without talking about COVID-19. Many world leaders have been praised for their positive handling of the pandemic, such as Angela Merkel in Germany. Others on the other hand, like Boris Johnson, have received critiques for slow responses and mismanagement.

The year 2020 packed about as much punch on its own as an entire decade does, from geopolitical tensions to a nail-biting 2020 U.S. election. The world is on high alert as the now twice-impeached Trump prepares his transfer of power following the riot at the U.S. Capitol.

The newest addition to the ranks of world leaders, Joe Biden, has recently taken his place as the 46th president of the United States on January 20, 2021.

LeaderBoard

Such Great Heights: Where Are the World's Tallest Buildings?

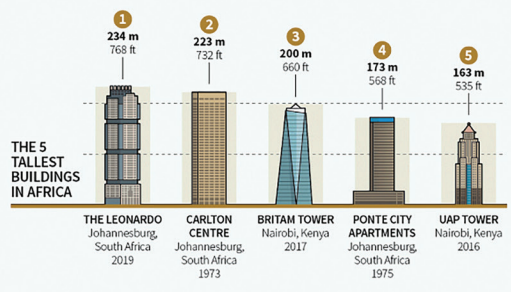
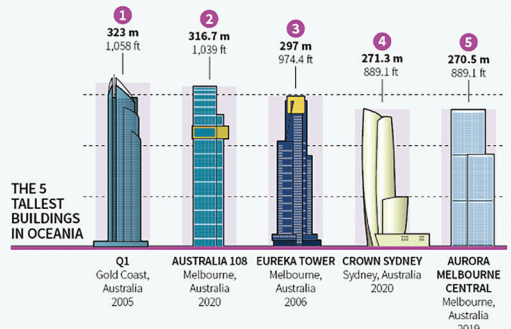
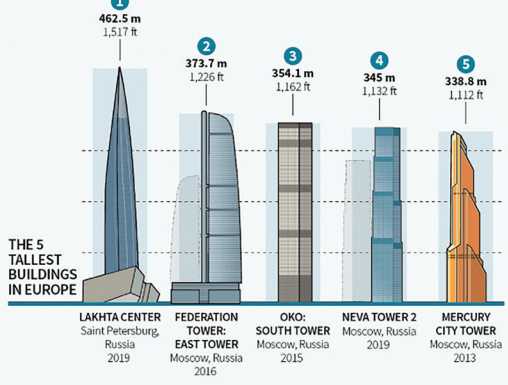
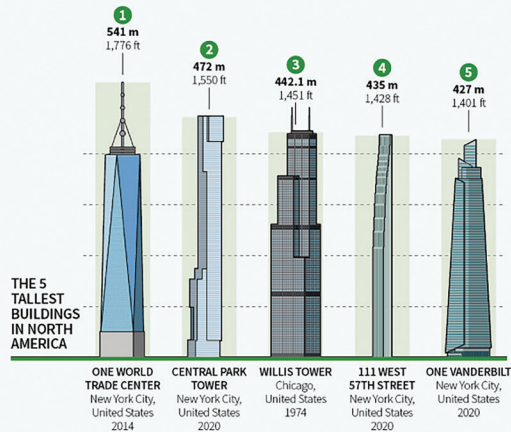
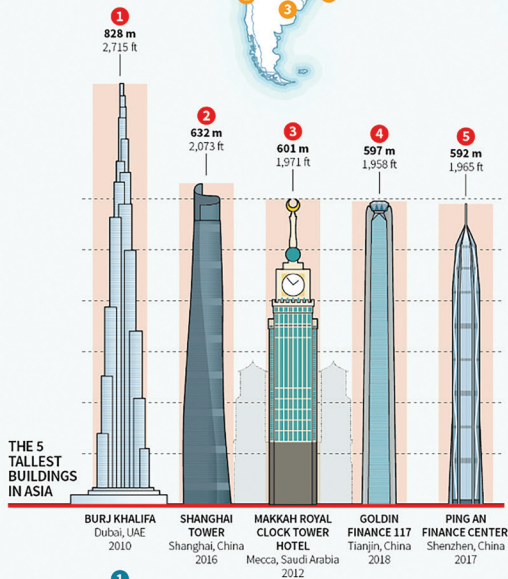
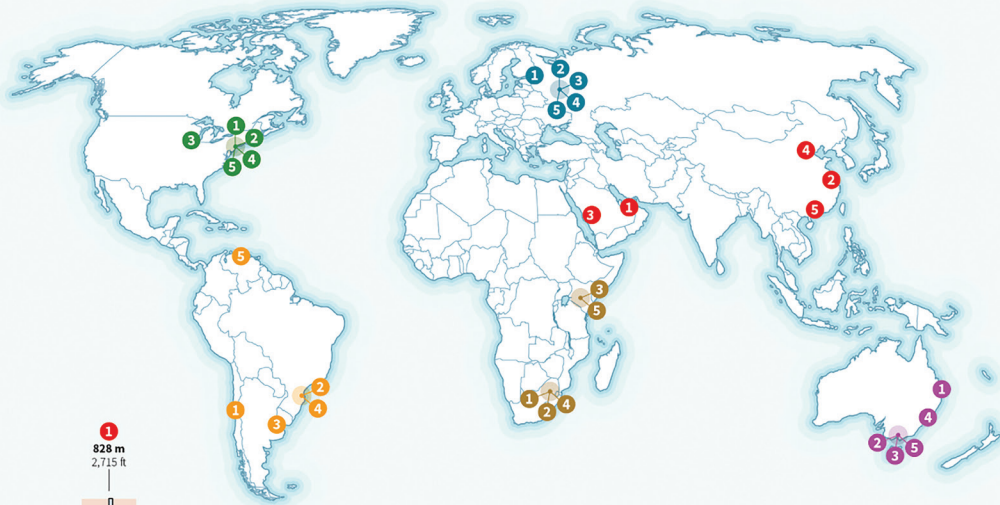
BY IMAN GHOSH

It seems that humanity is always vying to exceed our past accomplishments, and nowhere is the evidence clearer than in the tallest buildings that make up our cities.

We've previously looked at how the architectural feats of humanity have simply grown in magnitude over time, tracing this progress as far back as the Stone Age.

The question now is, how much higher and further into the skies can we reach? This infographic by Alan's Factory Outlet looks at the glittering urban skyscrapers on every continent. We also examine some interesting facts about each region.

THE TALLEST BUILDINGS ON EVERY CONTINENT



Note: Antarctica was omitted from this chart. The tallest buildings in Antarctica are the LONG DURATION BALLOON PAYLOAD PREPARATION BUILDINGS, which stand at 15 meters or 49 feet in height.

LeaderBoard

Asia: Growing Ever Upwards

The first name on this list certainly needs no introduction. Dubai's **Burj Khalifa** is one of the most popular tourist attractions in the Middle East. With just a one minute elevator ride to the Burj Khalifa's pinnacle, it must seem like even the sky is no longer the limit.

Building	City, Country	Height	# Floors
Burj Khalifa	 Dubai, UAE	828m / 2,715ft	163
Shanghai Tower	 Shanghai, China	632m / 2,073ft	128
Makkah Royal Clock Tower Hotel	 Mecca, Saudi Arabia	601m / 1,971ft	120
Goldin Finance 117	 Tianjin, China	597m / 1,958ft	128
Ping An Finance Center	 Shenzhen, China	592m / 1,965ft	115

Ping An Finance Center from Shenzhen edges into fifth place on the list, and it's worth mentioning the speed of change occurring in the city. China's hi-tech capital will see the completed construction of approximately **51 buildings** over 145m (476ft) by the end of 2020

North America: Concrete Jungle

The **One World Trade Center**, built to memorialize the loss of the Twin Towers after September 11th, 2001, is also informally called the "Freedom Tower". It's exactly 1,776ft high—symbolizing the year the U.S. Declaration of Independence was adopted.

Building	City, Country	Height	# Floors
One World Trade Center	 New York City, U.S.	541m / 1,776ft	104
Central Park Tower	 New York City, U.S.	472m / 1,550ft	98
Willis Tower	 Chicago, U.S.	442.1m / 1,451ft	110
111 West 57th Street	 New York City, U.S.	435m / 1,428ft	82
One Vanderbilt	 New York City, U.S.	427m / 1,401ft	67

While the **Central Park Tower** has reached its full height, parts of the interior are still undergoing construction. The price of luxury apartments in the complex start at \$7 million for a two-bedroom, just in case you had any extra change lying around.

In fact, the illustrious New York City holds four of the top five buildings on the continent. However, a nod also goes to the **Willis Tower** (formerly Sears Tower) in Chicago, an imposing office building which held the title of world's tallest building for 25 years, until the Petronas Towers were erected in Kuala Lumpur.

Europe: Russia's Reign

The top five tallest buildings in Europe can all be found in Russia. What's more, those from **Moscow** are all clustered within a single towering business district known as "Moscow-City".

Building	City, Country	Height	# Floors
Lakhta Center	 Saint Petersburg, Russia	462.5m / 1,517ft	87
Federation Tower: East Tower	 Moscow, Russia	373.7m / 1,226ft	101
OKO: South Tower	 Moscow, Russia	354.1m / 1,161ft	85
Neva Tower 2	 Moscow, Russia	345m / 1,132ft	79
Mercury City Tower	 Moscow, Russia	338.8m / 1,112ft	75

This begs the question—why doesn't Europe build more skyscrapers? There's an interesting historical reasoning behind this. As North America's new age ideals and influence on the world stage grew, European cultural values focused on preserving heritage.

Of course, with globalization, things have changed somewhat, and major financial centers of London, Paris and more boast unique skylines of their own.

Oceania: The Views Down Under

Australia's buildings unsurprisingly dominate the tallest ones in the region. In the surfer's paradise, **Q1** on the Gold Coast has a twist in its design—literally. Its architecture is loosely based on studies of ribbons moving in the wind, as they wrap around the tower.

Building	City, Country	Height	# Floors
Q1	 Gold Coast, Australia	323m / 1,058 ft	78
Australia 108	 Melbourne, Australia	316.7m / 1,039 ft	100
Eureka Tower	 Melbourne, Australia	297m / 974.4ft	91
Crown Sydney	 Sydney, Australia	271.3m / 889.1ft	75
Aurora Melbourne Central	 Melbourne, Australia	270.5m / 889.1 ft	92

The **Eureka Tower** has a fascinating story behind it, too. It's named after the 1854 Victorian gold rush, with elements of the building reflecting this history—from a gold crown to a red stripe for revolutionary bloodshed.

LeaderBoard

South America: Views From the Top






The tallest buildings in South America are mainly residential, and often found in Brazil, Argentina, and Venezuela—but Chile is the one standout exception to this rule.

Building	City, Country	Height	# Floors
Gran Torre Santiago	 Santiago, Chile	300m / 984ft	62
Yachthouse Residence Club Towers 1 and 2	 Balneário Camboriú, Brazil	281m / 922ft	81
Alvear Tower	 Buenos Aires, Argentina	239m / 784ft	54
Infinity Coast	 Balneário Camboriú, Brazil	235m / 771ft	66
Parque Central Complex: East Tower	 Caracas, Venezuela	225m / 738ft	59

Gran Torre Santiago is a retail and office complex, and the largest shopping mall across Latin America. It's often considered the heart of Chile, and built to hold its ground steadfastly in the earthquake-prone country.

Africa: Budding Buildings

Located in South Africa's largest city, **The Leonardo** is the jewel of Johannesburg. The tallest building in Africa was also designed by an architectural team of mostly women.

Building	City, Country	Height	# Floors
The Leonardo	 Johannesburg, South Africa	234m / 768ft	55
Carlton Center	 Johannesburg, South Africa	223m / 732ft	50
Britam Tower	 Nairobi, Kenya	200m / 660ft	31
Ponte City Apartments	 Johannesburg, South Africa	173m / 568ft	54
UAP Tower	 Nairobi, Kenya	163m / 535 ft	33

For African nations, these tallest buildings mean much more than just breaking engineering records. In a journal article, it's posited that skyscrapers can act as a symbol of power and the continent's drive towards modernity.

Future Superstar Skyscrapers

A few more mammoth buildings are expected to rise up in the next couple years. Saudi Arabia's 167-floor **Jeddah Tower**, while currently on hold, could someday take over the first place crown.

Meanwhile, Dubai's set to outdo itself—and compete directly with Saudi Arabia. The **Kingdom Tower** is inspired by the Hanging Gardens of Babylon, and is proposed to break the 1 kilometer-high (or 0.6 mile) mark not yet achieved by any building.

Who knows what greater heights we could scale this century?



Each of us is carving a stone, erecting a column, or cutting a piece of stained glass in the construction of something much bigger than ourselves.

.....
—Adrienne Clarkson, Former Governor General of Canada

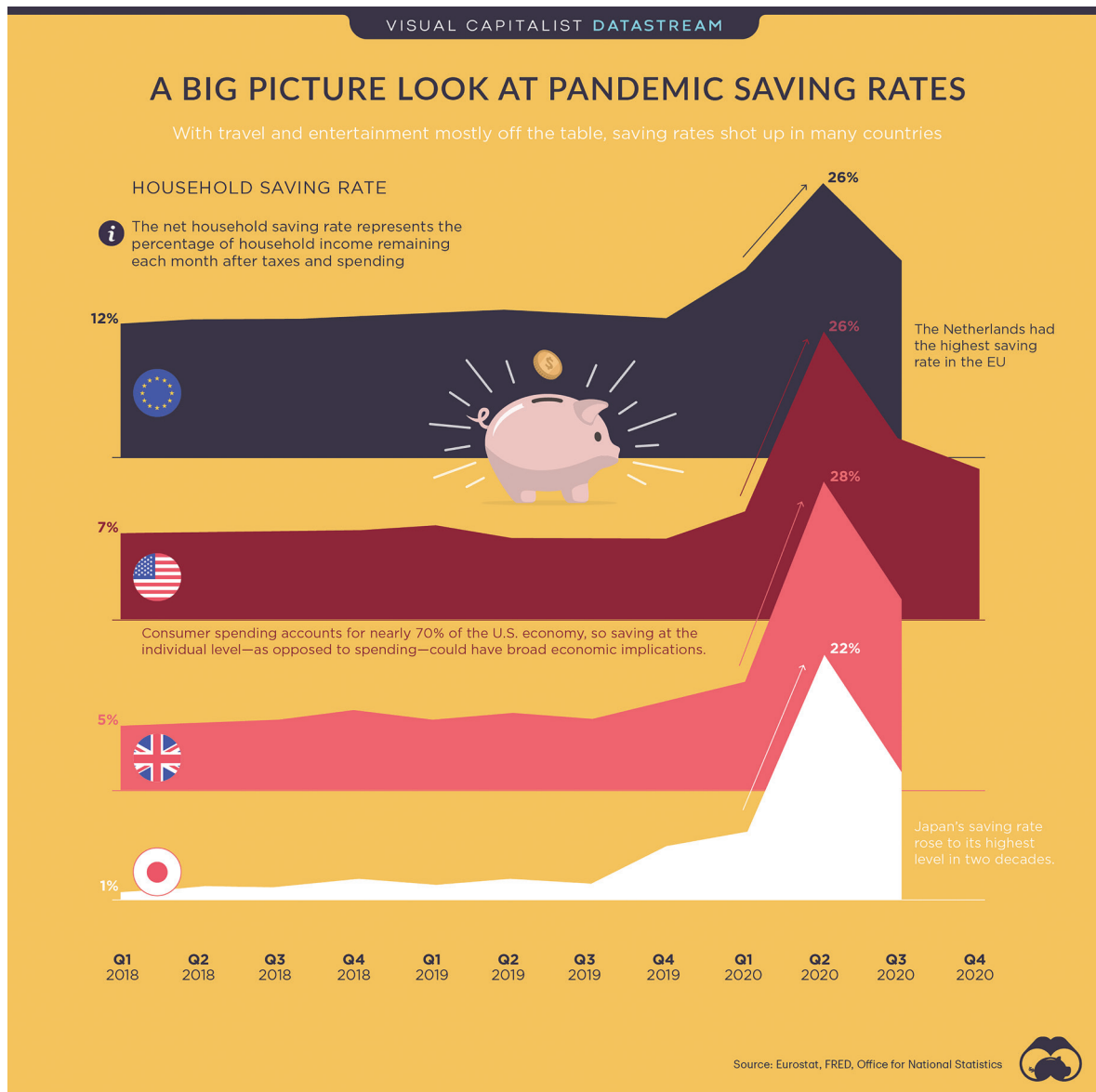


LeaderBoard

One Year In: Did People Save More or Less During the Pandemic?

BY AVERY KOOP

Were people more frugal during the pandemic or did they break the bank? This visual assesses the saving rates across different countries.



While working hours were reduced across the globe and many lost their jobs entirely, personal saving rates actually increased throughout the pandemic in many countries.

A personal saving rate is calculated as the ratio of personal saving to disposable personal income. Here's a look at the U.S.' personal saving rate over 2020.

Date	U.S. Savings Rate
January 2020	7.6%
February 2020	8.3%
March 2020	12.9%
April 2020	33.7%
May 2020	24.7%
June 2020	19.0%
July 2020	18.4%
August 2020	14.6%
September 2020	14.1%
October 2020	13.2%
November 2020	12.5%
December 2020	13.4%
January 2021	20.5%

The U.S.' personal saving rate skyrocketed in April to more than 30%. After a dip near the end of 2020, the rate has jumped back up again to around 20% in January 2021.

With the most recent data from September 2020, many European countries' savings rates were up, as well—the highest rate occurred in the Netherlands at 24%. Japan and the UK followed a similar trend as well, at 22% and 28% respectively.

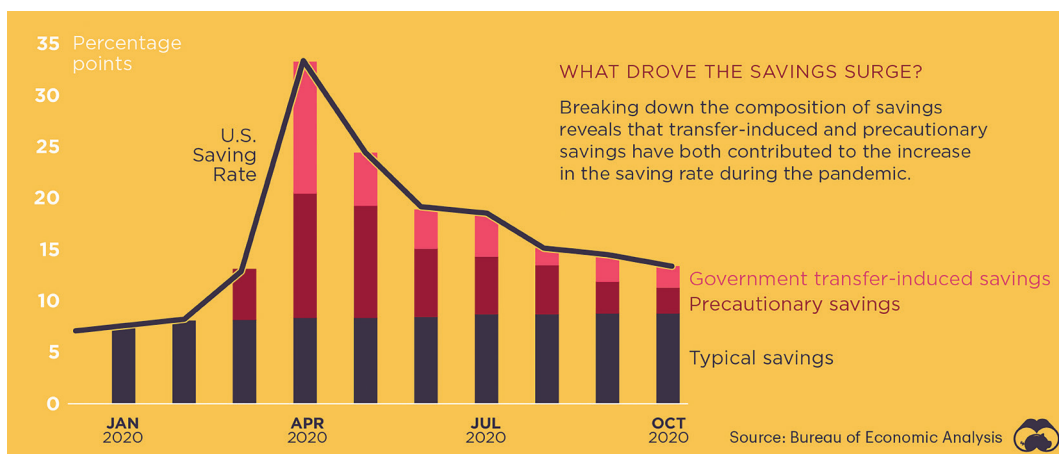
The Pandemic Piggy Bank

Personal saving rates tend to increase during recessions and, more generally, either increase because of reduced consumption or a boost in income.

Without the same access to restaurants, shopping, and travel, it is somewhat unsurprising that a trend of increased saving rates occurred.

Overall, the typical saving rates have not changed; what has driven up the country's rates has been prudence and government checks. Whether or not this will influence future consumption or will continue a trend of increasingly large nest eggs, however, has yet to be determined.

The U.S. will likely see an increased inflow of government support, as Joe Biden's \$1.9 trillion stimulus package has recently passed in Congress.



LeaderBoard

The Top 20 Countries for Ultra High Net Worth Individuals

BY MARCUS LU

Despite the global hardships of the COVID-19 pandemic, the world's ultra high net worth (UHNW) population increased by 2.4% in 2020, reaching an all-time high of 521,653.

In this chart, we've used data from The Wealth Report 2021 by Knight Frank to list the 20 countries with the most UHNW individuals.

What is Considered Ultra High Net Worth?

To be considered an UHNW individual, one must have a net worth of at least \$30 million.

Net worth is a measure of someone's current financial position, and is calculated as the value of their assets minus their liabilities. The following table lists examples of each:

Assets	Liabilities
<ul style="list-style-type: none">• Primary residence• Investment portfolio (stocks, bonds, etc.)• Cars, boats, and other physical assets	<ul style="list-style-type: none">• Mortgages• Credit card balances• Loans

The Top 20 Countries

Out of the 521,653 UHNW individuals in the world, 414,308 were located in the countries below. This means that almost 80% of the world's UHNW individuals live in just 20 countries.

With just over 180,000 UHNW individuals within its borders, the U.S. continues to be the long-standing leader in this metric. Its five-year growth rate of 16%, however, falls far behind the Chinese Mainland's impressive 137%.

Whether China can overtake the U.S. as the leader in UHNW population remains to be seen, but momentum appears to be in the Asian nation's favor. Recently, China became the world's dominant trading partner, and was one of few countries to report positive GDP growth for 2020.

Rank	Country	Number of Ultra Wealthy	Growth Since 2015
#1	U.S.	180,060	16%
#2	China (Mainland)	70,426	137%
#3	Germany	28,396	43%
#4	UK	16,370	-8%
#5	France	15,503	22%
#6	Japan	14,755	36%
#7	Italy	10,441	-4%
#8	Canada	10,025	27%
#9	Russia	8,015	19%
#10	Switzerland	7,553	12%
#11	South Korea	7,354	16%
#12	Saudi Arabia	7,020	227%
#13	India	6,884	27%
#14	Spain	5,938	9%
#15	Sweden	5,243	27%
#16	Brazil	5,140	-9%
#17	Hong Kong SAR	5,042	48%
#18	Singapore	3,732	37%
#19	Mexico	3,287	-4%
#20	Australia	3,124	57%

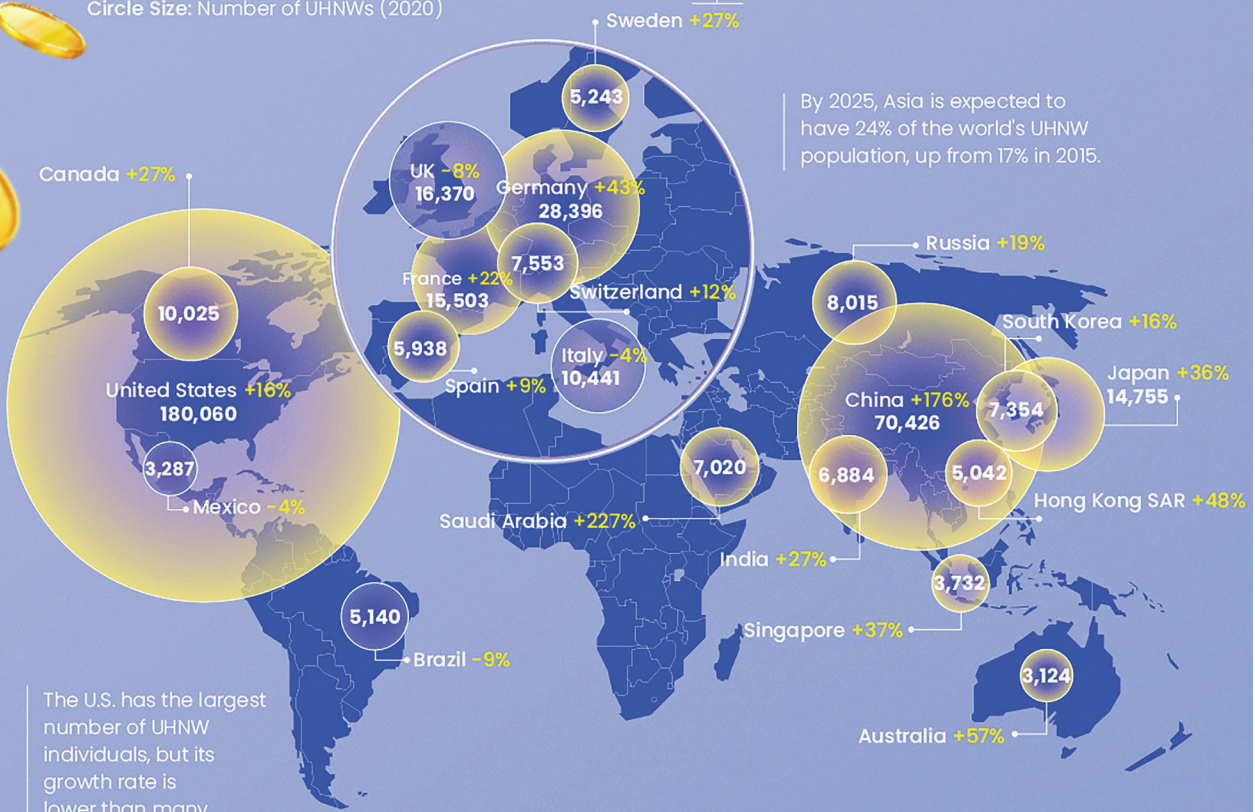
The Top 20 Countries for the World's Ultra Wealthy

These 20 countries are home to the greatest number of ultra high-net-worth individuals (UHNW), those with a net worth of at least \$30M.

● Positive growth ● Negative growth

Circle Size: Number of UHNWs (2020)

Growth Since 2015



By 2025, Asia is expected to have 24% of the world's UHNW population, up from 17% in 2015.

The U.S. has the largest number of UHNW individuals, but its growth rate is lower than many other countries.

Source: Knight Frank (2021)



LeaderBoard

Ranking of Georgian Wine and Spirits Manufacturers

BY SHOTA TKESHELASHVILI



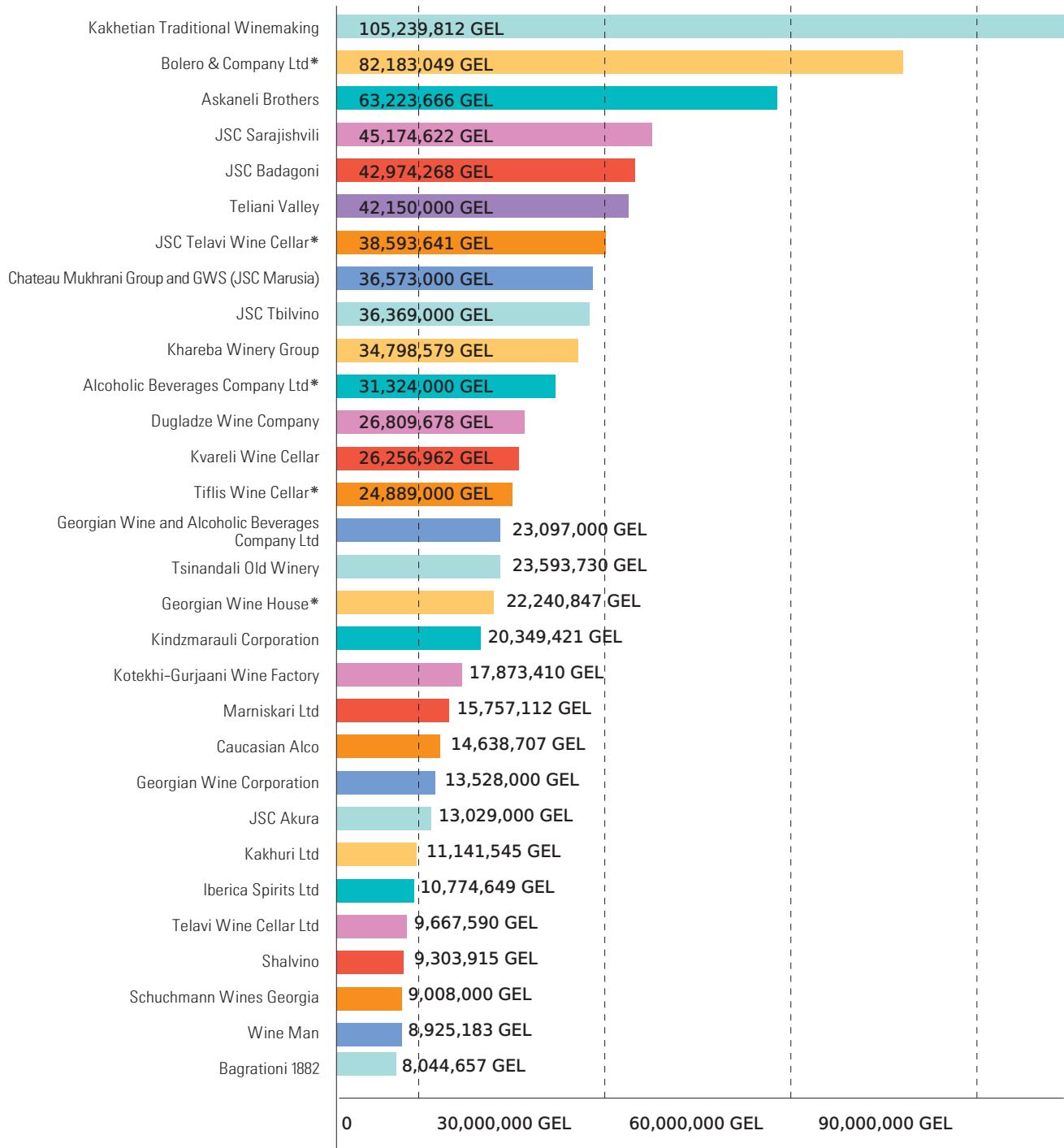
In 2020, Georgian wine and spirit exports totaled \$342.5 million. Exported wine accounted for \$210.3 million (5.6% less than in the previous year), while exported spirits increased by 3.8% to \$132.2 million. The sector managed to end the year without major losses. The financial statements of Georgian alcoholic drink manufacturers are becoming more and more transparent. Apart from a few exceptions, the largest manufacturers have published their 2019 financial statements. The combined revenue of the thirty largest wine and spirit producers amounted to €800 million, while the total value of their assets exceeded €1.5 billion.

The ranking is topped by the Kakhetian Traditional Winemaking Group (KTW), which posted total revenue exceeding €105 million and a net profit of €22.6 million in 2019. KTW is also the largest company by asset volume - its vineyards, wineries and other assets are worth €258 million in total. Bolero & Company is the second-largest player on the market with sales of more than €80 million.

This article is based on 2019 financial statements. In certain cases, the 2018 financial results have been used, as some companies are yet to publish their annual audited reports for 2019.

Approved by EBIT Group

Ranking of Georgian Wine and Spirits Manufacturers by Revenues



* 2018 figures have been used for Bolero & Company, Telavi Wine Cellar, Tiflis Wine Cellar, Georgian Wine House, and Iberica Spirits. For Teliani Valley, the 2019 wine sales figures of its parent company Georgian Beverages Holding have been used.

LeaderBoard

Ranking of Georgian Construction Companies

BY SHOTA TKESHELASHVILI

The construction sector, together with its related sectors, accounts for 8.5% of Georgia's GDP and employs more than 100,000 people. In 2020, the industry had to deal with serious challenges and saw its turnover decrease by 24% in the second quarter, representing the largest decline after only the tourism sector. Nevertheless, there was a notable improvement in turnover figures in the third quarter.

The construction sector is divided into two main areas - construction of residential properties and buildings, and construction of special infrastructure (roads, bridges, tunnels, pipelines, power stations, and other facilities).

Unlike residential properties, large infrastructural projects are less affected by economic crisis, as they are often commissioned by the government.

The financial statements of construction firms are becoming ever more transparent, allowing us to compose a ranking of the largest companies operating in this sector.

Anagi is the main player in the Georgian construction market,

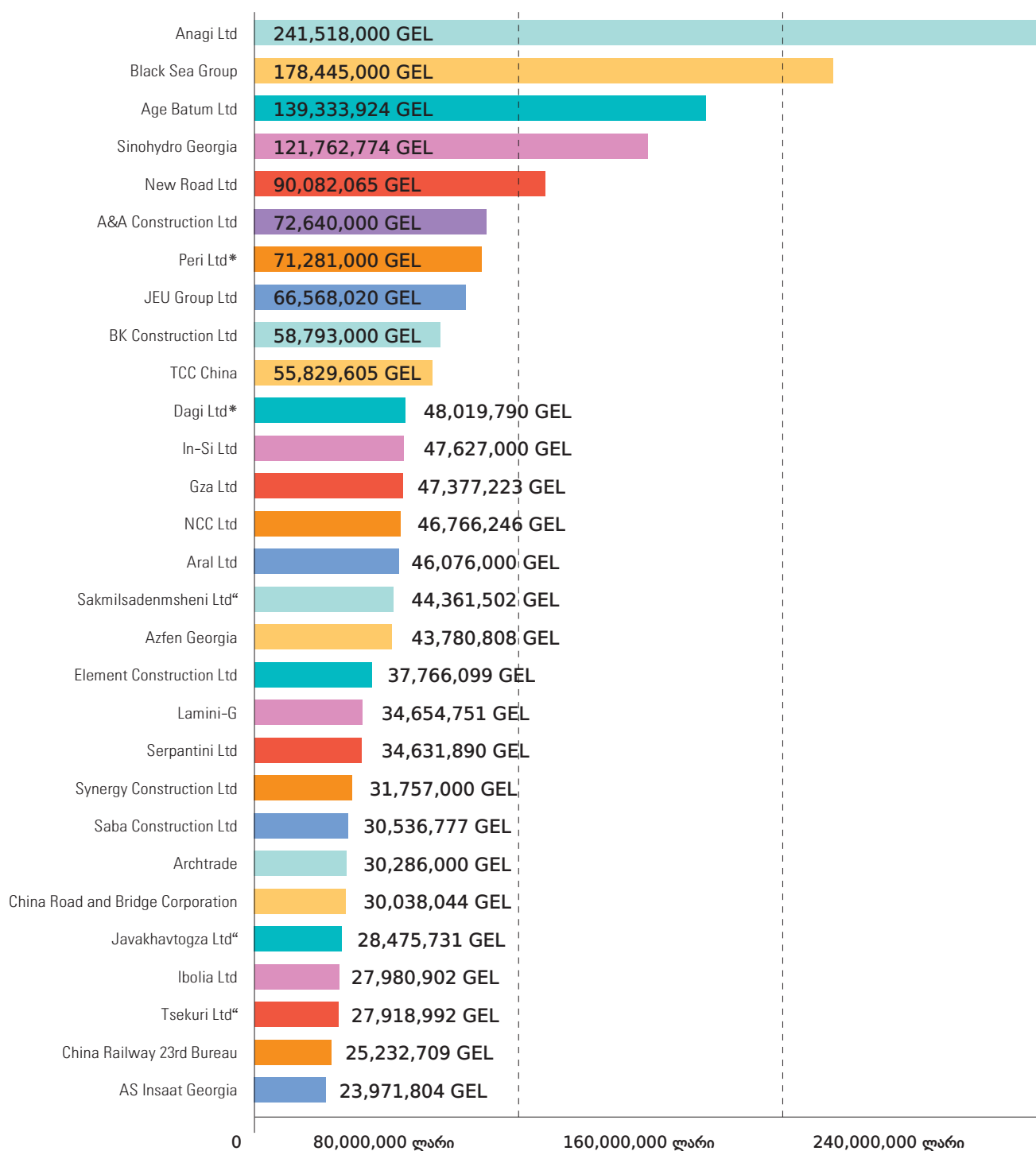
implementing both large infrastructural projects (stadiums, factories, and airports) as well as residential buildings and hotels. The company posted total revenue of €241.5 million and a net profit of €34.5 million in 2019.

The second-largest construction firm is the Black Sea Group, which mainly builds road infrastructure. The company posted total revenue of €178.5 million and a net profit of €5.7 million in 2019. Third place is held by Age Batumi, which is a subsidiary of the Turkish construction firm Age Insaat ve Ticaret. The company was involved in the construction of the Shuakhevi HPP in 2019. It posted revenue of €139.3 million. The ranking also includes Chinese contractors building highways and tunnels on behalf of the Georgian government, as well as Georgian companies that are mainly involved in the construction of residential apartment blocks.

The rankings are based on 2019 financial statements. The thirty largest companies included in the ranking had a combined revenue of €1.81 billion in 2019.

Approved by Ebit Group

Ranking of Construction Companies Operating in Georgia in 2019



* 2018 figures have been used for Peri Ltd and Dagi Ltd, as their 2019 figures are currently unavailable.

LeaderBoard

30 Years of Independence – How did Post-Soviet Countries Achieve Growth?

BY SHOTA TKESHELASHVILI

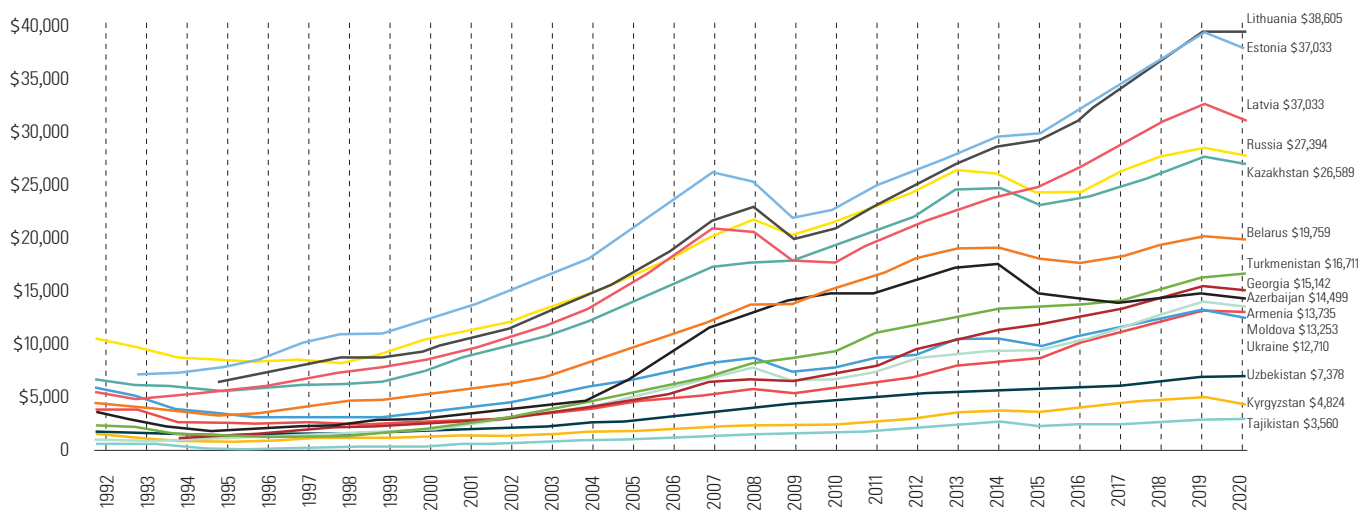
According to IMF data, Georgia is ahead of only seven other post-Soviet countries in terms of GDP per capita. The countries are Azerbaijan, Ukraine, Armenia, Kyrgyzstan, Moldova, Tajikistan, and Uzbekistan.

The IMF calculated that Georgia overtook Azerbaijan in 2020 due to the decrease in the latter's gross domestic product. Azerbaijan's GDP exceeded \$75 billion in 2014 but was reduced to \$41.7 billion by 2020 due to falling oil prices. Therefore, the per-capita GDP

of the 10 million-strong nation is now less than Georgia's. According to the IMF, Georgia is ahead of Azerbaijan both in terms of PPP (\$643 gap) and nominal GDP (\$281 gap).

Tajikistan is the poorest post-Soviet country with a GDP per capita of \$3,560. The gap between Tajikistan and Lithuania, which tops the list, exceeds \$35,800. At the current pace of economic growth (with average annual growth of 3.35%), it would take our country 28 years to catch up with Lithuania.

GDP Per Capita (PPP) in Post-Soviet Countries (1992-2020)



Methodology: The International Monetary Fund uses purchasing power parity (PPP) to evaluate countries' economies. This approach creates uniform prices of goods and services in all countries and allows better assessment of a country's monetary potential. According to IMF data, Georgia's GDP per capita (PPP) is \$15,142, while nominal GDP is \$4,405.



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VISUAL DESIGN



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THOUGHT LEADERS

RAINER MICHAEL PREISS - CURRENT EVENTS

THE INVESTMENT CASE FOR GEORGIA POST COVID-19

The republic of Georgia has been called the world's most beautiful country, yet only little is known about it beyond its borders. According to IMF data Georgia is the 118th largest economy in the world. Global investors tend to classify Georgia as part of Central and Eastern Europe & CIS "Commonwealth of Independent States" ..



OVER ITS 3,000-YEAR-OLD HISTORY,

Georgia has been ruled by everyone from the Greeks to the Ottomans, became a coveted part of the Russian Empire for a hundred years, and was incorporated into the Soviet Union in 1921. In twenty-five years, Georgia has undergone a dramatic socioeconomical and political transformation, and although its political situation remains precarious, Georgia's strong sense of nationhood and excellent ease of doing business and low levels of corruption are reinvigorating the country and could offer interesting investment opportunities for global investors. The IMF for Georgia predicts post covid -19 GDP forecasts of 5.8% to 6% higher country growth than Most of Middle East & Central Asia and emerging and developing EU in its 2022 to 2025 forecasts. also still under appreciated by many investors is that as of January 2021, Georgia is preparing to formally apply for EU membership in 2024.

The World bank stated that the World Bank is ready to support Georgia in preparing an official application for EU membership by 2024.

Many western investors are familiar with excellent Georgian cuisine and great Georgia wine to be found in all ex-soviet union countries. Students of history might associate Georgia as the birthplace of Ioseb Besarionis dze Jughashvili; aka Joseph Vissarionovich Stalin as well as Eduard Shevardnadze, as Georgia's former first secretary , them later gorbachev's soviet union last foreign minister

Several Georgian banks like TBC (Tbilisi business centre) bank and bank of Georgia are listed in London on the London stock Exchange and have historically been favourites of emerging and frontier market fund managers, while mostly being overlooked by traditional private banks and private wealth clients. according to Bloomberg data Bank of Georgia trades at an estimate P/E Price- earnings ratio of 4.41 and a P/B (price-to-book) ratio of 0.94. with tier 1 Capital ratio of 10.4% and NIM (net interest margin) of 4.6% . global investors in bank stocks should note that Georgia as a country with banking sector NIM 6.85 ranks 40th highest net interest margin country in the world. Attractive fundamental valuation makes Bank of Georgia a true definition of a value stock in my view. The analyst community at the moment tend to agree. According to Bloomberg data, Analyst consensus rating BUY ratings for Bank of Georgia stand at 81.8% and the average analyst 12 month TP (target price) of GBP of 17.02 implies potential gain + 60.9% from current levels and is one of the highest % target price implied gain estimates for listed emerging and frontier market banks. among banks covering the stock, New York-based Independent securities and investment banking Jefferies Financial Group (widely known as Jefferies) is amongst the most bullish on the stock with TP of GBP 22.40 implying potential gain of 112% on the stock.

At the end of last year Georgia has ranked 37th among 180 countries in the Global Sustainable Competitiveness Index.

RAINER MICHAEL PREISS SERVES AS PORTFOLIO STRATEGIST AT GOLDEN EQUATOR WEALTH SINGAPORE.



Georgia with an overall score of 77.2 currently ranks #12 out of 180 countries in ECONOMIC FREEDOM according to the heritage foundation. the republic of Singapore with overall score of 89.7 tops the global 2021 index of economic freedom.

During the past decade, Georgia's pursuit of economic reforms led to impressive economic growth, capital inflow, and investments. It helped improve the business environment and infrastructure, strengthened public finances, and liberalized trade.

The World Bank ranked Georgia one of the most active cryptocurrency areas in the world.

According to Cambridge Centre for Alternative Finance, global cryptocurrency benchmarking study, Georgia is now ranked second in the world for cryptocurrency mining – behind only China. Post coronavirus, both the open public bitcoin blockchain economy and bitcoin as a currency / reserve asset will can more traction in my view.

Still unnoticed by many global investors is that Georgia Ranks 7th in the World for Ease of Doing Business, Georgia's economic freedom score is 77.2, making its economy the 12th freest in the 2021 Index. Its overall score has increased by 0.1 point, primarily

because of an improvement in the government spending score, as Georgia remains an official aspirant for NATO membership. NATO membership and potential discussions to join the European union

Have led to worsening relations with regime of Vladimir Putin ad Russia.

In January, European Council President Charles Michel reiterated strong support of the European Union for Georgia's territorial integrity and support against its' conflict with President Putin's Kremlin.

According to the Georgian National Wine Agency. Georgia exported 94 million bottles of wine to 53 countries in 2019, which is nine percent more compared to 2018 and the highest export volume in the history of independent Georgia. the Russian federation is Georgia's largest export market for wine. Putin's Russia Raised Pressure on Georgia and Blamed the U.S. for local Protests in June of last year as Russia targeted Georgia's wine exports by imposing bans days after banning direct flights from Russia to Tbilisi. According to Georgia's National Tourism Administration, Russia topped the list of visitors in 2018 with 1.4 million out of 8.6 million tourists. Mr Putin introduced a flight ban to and from Georgia following protests in Tbilisi

against Russia's continued illegal occupation of Georgia's Abkhazia and Tskhinvali (South Ossetia) territories. tourism from Europe and Asia is expected to pick up again post covid 19 and Georgia wine exports most probably will find other export markets to compensate for the lost sales to Russia going forward. benefits from diversified economic linkages and economic base (free trade with EU and china) are expected to matter most post covid and for investors in Georgia. Georgia's good track record of fiscal discipline and strong donor support is expected to led the country out of the global pandemic crisis. Georgia's 3rd lowest tax burden globally according to the world bank with 0%tax on corporate income tax and retained earnings should give the country a solid edge in the post corona virus re-opened global economy. Georgia ranks 28th out of 200 countries world-wide on the global Business bribery Index. Georgia ranks higher than both Italy and Israel and the united Arab Emirates. Singapore as one of the best business environments globally in comparison ranks 15th out of 200. Russia considers Georgia its " near Abroad". U.S. President Joe Biden can push back Russia by supporting its neighbours in the Caucasus, Georgia in particular. **F**



THOUGHT LEADERS

A - CURRENT EVENTS

IMPROVING GOVERNANCE AND FIGHTING CORRUPTION FOR INCLUSIVE GROWTH IN THE CAUCASUS AND CENTRAL ASIA



THE COVID-19 HEALTH and economic crisis underscores, as few other major events in modern history have, the vital role of public institutions. When emergencies strike, it is the state's responsibility to respond, especially when millions of lives and livelihoods are at stake. That is why ensuring that institutions are operating effectively and above all trusted by the people they serve is the cornerstone for building stable, safer and more inclusive economies. The time for action has never been more opportune.

A newly released IMF report, which examines how countries in the Middle East, North Africa and Central Asia have grappled with governance issues in recent years, confirms that governance and anti-corruption reforms would be indispensable to build back better and spur a strong and sustainable recovery.

This report confirms once more the importance of improving governance and reducing corruption in boosting growth: they lead to better economic outcomes and sustained macroeconomic stability by making the use of public resources and the provision of government services more effective, and by fostering investor confidence and competitiveness. What's more, effective governing and fiscal institutions can strengthen social cohesion, and ensure that growth benefits are better shared throughout society.

So, given the importance of these reforms, how are countries in the Caucasus and Central Asia (CCA) faring?

The good news is that progress has been made.

For instance, Georgia, Kazakhstan and the Kyrgyz Republic have improved access to budget information in recent years. Others, such as Azerbaijan and Uzbekistan, have ramped up procurement reforms, which are critical to ensuring that government contracts and projects are negotiated through an open, competitive process. Georgia reformed its tax codes and business registrations as well as public financial management procedures. Armenia requires legal entities in the extractive industry and financial sector to provide information on their beneficial owners and publish their basic ownership information, reducing the risks of corrupt activities. Several CCA countries have started simplifying processes for businesses and individuals, thereby improving access to services. For example, Kazakhstan has now a large network of "Public Service Centers", which offer hundreds of government services and Azerbaijan has developed a digital public service window that has been used by 5 million people over the last four years.

While there are encouraging signs throughout the region, much work remains to address weak governance and corruption. Tackling remaining weaknesses in fiscal and financial governance, notably in terms of transparency and accountability, can bring large dividends—improvements that are already being demanded by the public in these countries. This is a

JIHAD AZOUR, DIRECTOR OF THE INTERNATIONAL MONETARY FUND'S MIDDLE EAST AND CENTRAL ASIA DEPARTMENT



long-term endeavor that requires a full commitment from society, strong leadership, and continued focus and action on multiple fronts.

While recognizing that countries' reform priorities will vary according to national circumstances, there are some key areas of reforms that we have identified for the region:

- **Improving transparency and accountability.** This includes expanding access to information—including budget and central bank information—, designing open and transparent procurement processes with publication of contracts and beneficial ownership of awarded entities, establishing strong internal controls and external oversight of public finances that includes independent audit, strengthening accountability of SOEs—given the dominant role they play in many countries in the region—, and enhancing asset decla-

ration regimes.

- **Streamlining rules and enforcing them fairly.** Fiscal institutions' operations and related rules and regulations, such as tax codes, could be further simplified, modernized and better enforced, thereby increasing their efficiency and fairness. Streamlining business procedures would help reduce red tape -and vulnerabilities to corruption- and improve investment climate as would enhancing financial supervisory frameworks.

- **Beefing up anti-corruption frameworks.** This would involve adopting laws and regulations, drawing on international conventions and good practices, putting in place effective institutions to enforce them, continuing to strengthen AML/CFT frameworks, and facilitating information-sharing at the domestic and international levels.

Reform efforts could be supported by

further leveraging technology. For example, e-government services can be used among other things to provide full access to information, file and pay taxes, procure goods and services, and channel transfers using biometric technology and digital payments.

Each country will have to establish its own road map to reform. The IMF will continue to actively support CCA countries' governance reform efforts through policy advice and capacity development, with a focus on fiscal governance, central banking, financial supervision, Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) and statistics. By working together with a collective commitment to building stronger, more open, and more accountable institutions, we can all emerge from the trials of this past year on a path toward a better, more inclusive future. **F**



THOUGHT LEADERS

NIKA GILAUURI - CURRENT EVENTS

THE ROLE OF IFIS IN THE POST COVID-19 DEVELOPING WORLD – DON'T WASTE THE CRISIS



IN THE YEAR 2021, the world will again face an extraordinary crisis - namely the post-pandemic economic stagnation of the global economy. Many developed countries may be able to get out of this crisis with relatively minor losses, but the severity of the economic downturn is much worse in developing countries and it is still hard to forecast the exact situation that these countries will be in over the next two to three years.

There is a possibility that the scale of the negative impact, especially on the SME sector of developing countries, is not yet visible due to temporarily postponed tax and loan payments as well as government assistance. Nonetheless it will be devastating for many economies and may even be a cause of political unrest in these countries.

This article aims to present some innovative ideas to attempt to deal with the post-pandemic economic crisis, identifying new ways to save the SME sector in

developing countries, as well as identifying untapped potential for a relatively fast recovery- such as the structural reform of State-Owned Enterprises and new formulas of PPPs that may replace the decreasing amount of Foreign Direct Investment (FDI) flowing into the developing world.

Currently, almost all developing countries are struggling with economic downturn, an increase in debt, the loss of jobs, a decrease in FDI and most importantly significant shrinkage of the SME sector, which going forward may be a cause for political turmoil. The SME sector is contracting at a much faster pace than economies as a whole - large companies, multinational corporations and oligarchs are taking their place in the market.

This may not yet be visible in the statistical data, but towards the end of 2021, once loan repayments are due and taxes need to be paid, a big portion of the SME



sector in the region may face bankruptcy. Developing countries in Eastern Europe and post-Soviet Union nations are facing a higher degree of “oligarchisation”, which will not be positive for the economies of these countries or for political development in the region.

Considering the above, the top priority of International Finance Institutions (IFIs) in the post-COVID environment should be aimed at saving SMEs.

POST-COVID SME FUNDS

Over the past year, many developing countries have come up with financial aid schemes for SMEs - postponing or freezing tax payments, the banking sector giving loan repayment holidays and channeling funds from state budgets to the private sector to help SMEs survive.

The problem with these schemes in many cases (not in every country) is a lack of predictability and clarity of the rules. The SME sector does not know what to expect within the next 3-6 months (e.g., what kind of government assistance, or new government regulations may be introduced due to the Coronavirus pandemic). An even bigger problem than this lack of clarity is the increasing possibility of corruption, and as a result, funds not reaching the desired entities.

This may be a good place for IFIs to step in and help governments to create COVID-19 SME Funds - alongside governments co-financing these funds (for instance, at a ratio of 50:50), as well as applying clear and transparent rules for all. The aid should come in the form of long-term, subsidized loans with a two-year grace period and interest rates matching the

yields of countries’ sovereign bonds traded on international stock markets.

The size of the loans for each company could be determined based on the company’s revenue or taxes paid in 2019, and different sectors should be entitled to different percentages. For example, the HORECA (Hotels, Restaurants and Cafes) sector may be entitled to a higher percentage of the taxes they paid in 2019 (because they were the hardest hit), SME companies in the retail sector - to a lower percentage, SME companies in the construction sector - to even a lower percentage, and so on.

The principle should be transparent rules for all. Every entity should know exactly what they are entitled to and how it is calculated to create a level playing field for all and minimize the possibility of corruption.

CREATING A PME SECTOR (PUBLICLY TRADED MEDIUM SIZED ENTERPRISES)

Another equally important objective should be to look a couple of years ahead and help medium-sized companies in developing countries to attract equity. One of the biggest problems of the private sector in the developing world is a lack of equity.

Creating special products for medium-sized private companies to IPO on international stock exchanges or issue Eurobonds may be the biggest boost to the economies of developing countries - being the anchor investor, providing legal and financial advice, or even a special loan once a company issues a Eurobond or goes public on a stock exchange. These companies will be able to tap the resources of developed countries' funds that are currently unavailable for developing countries, as most of them are only active as portfolio investors. It is already clear that FDI flow into developing countries is shrinking and going forward it needs to be replaced by portfolio investments - creating a PME sector may be the fastest way for developing countries to do so.

IFIs creating special products (co-financing pre-IPO expenditures and/or playing the important role of anchor investor) for medium size private companies of developing countries would motivate the owners of these companies to tap into funds available in international financial markets, which in turn will have a sizable impact on the economies of developing countries. These private companies will have to clean up their businesses before engaging with international markets, they will have to start paying taxes and adopt best practice for corporate governance. This will help many countries to solve a major problem of the private sector - attracting equity and transforming family businesses into corporate structures -

which will allow these companies to grow faster, attract more and more funds from financial markets, merge with other companies more efficiently or acquire and sell their companies more effectively. At the same time, this transformation will help the respective countries build their risk profiles and PMEs will act as marketing agents for these countries.

An extra step for developing the PME sector in developing countries could be to create a specialized IFI Stock Exchange where IFIs will help medium-sized companies go public and attract equity from global financial markets by assisting with legal and financial services, or even by playing the role of the anchor investor or extending special loans in case of successful placement and at same time creating softer IPO rules (something similar to AIM London Stock Exchange). The IFI Stock Exchange can play the role of a steppingstone before going public (if successful) on the Warsaw, Frankfurt, or London Stock Exchange.

Many medium-sized companies in the developing world do not even dream of going public knowing that their size is the biggest constraint. With the help of IFIs (who have offices in all developing countries and who can lead this process for medium-sized companies on the ground), entrepreneurs will be able to take steps in the right direction, change their corporate structure from family-owned businesses to corporations, and then, in case of successful development, look for bigger opportunities.

IPPP - IFI-PUBLIC-PRIVATE PARTNERSHIP

Due to the pandemic, another significant problem that developing countries will face is a drop in FDI which is already visible. In the post-COVID era, PPP schemes focusing on FDI (not only on infrastructure) may be the way forward and IFIs can play a decisive role in this too.

It needs to be acknowledged that most of the IFIs have long started financing PPP projects and IFIs do partner up with private companies to invest in developing countries, but this is still not a widely applied approach.

The idea is to turn a big portion of IFI assistance into IPPP projects and on top of this, to use a specific formula that will ensure a competitive environment for choosing the private sector partner. Such an approach will use minimum IFI resources for any specific project, will ensure long term sustainability of any project through the transfer of it to the private sector and will minimize the possibility of corruption.

Instead of financing infrastructure, as well as new manufacturing and industrial development projects independently, IFIs can use the IPPP (IFI Public Private Partnership) approach involving private sector players who will manage projects and afterwards buy out other stakeholders be it a state or an IFI.

The idea is for IFIs together with governments to announce an expression of interest to find potential private investors who will provide equity for the project and will buy a part of the project - it can be a minority shareholder of an HPP or a majority investor in a factory, depending on government policy. The next step would be to announce an auction based on the following principles: Whichever company requests less equity, the lowest loan amount from an IFI or government and will come up with the highest investment. Equally, the tender could be a formula for establishing the price (e.g., PPA tariff of an HPP) and the equity requirement from an IFI or government (with the loan being fixed from an IFI). In this case, less funds will be spent by IFIs, the assets will be privatized from the very beginning or partially privatized and there will be a professional management team which is much more effective than state ownership.

Participation of IFIs will give the private sector additional comfort of being protected from political or geopolitical risks and will give stimulus to international investors to channel FDI into developing countries.

If managed well, this process should result in the most competitive pricing of projects and ensure that the least possible funding is needed from IFIs. To increase competition from the private sector, IFIs may even consider insuring parts of the project risk to make it Investment Grade (BBB) thereby increasing its attractiveness and capturing a much bigger pool of potential investors.

In the current situation, it should be the role of IFIs to contribute to the economic recovery of relatively poor countries, which can be more effectively done by opening developing markets to the widest possible range of private investments from the developed world either by bringing investors to the developing world, or by bringing projects/companies from developing countries to the marketplace where the biggest investment funding is available.

FDI is crucial for the developing world, not only due to the inflow of funds and to cover Current Account Deficits, but also more importantly because of “know-how” transfer, which in turn enables long-term growth.

TRUE CORPORATIZATION OF STATE-OWNED ENTERPRISES (SOES)

SOEs are the source of the biggest inefficiencies in developing countries and the source of the biggest untapped potential to help these countries with the economic recovery in the post-COVID environment.

More specifically, SOEs are one of the biggest sources of corruption and squandered opportunities. Mostly they are used for political purposes - providing employment for the political elite, providing financing for political projects, or even

playing a political role in international affairs, instead of being focused on efficient and effective management of resources, being profit-oriented and innovative to achieve higher profit margins.

Currently, IFIs lend significant funds to SOEs directly or through state budgets. Instead of direct lending (or through state budgets), IFIs should put a condition that SOEs must issue a Eurobond on international markets or do an IPO within a specific time frame (it can be a minority or majority of the shares depending on government policies). In this case, on top of lending to SOEs, an IFI can play the role of the anchor during the transaction. IFIs should put as a condition to the loan (and a condition of being the anchor) that the management of the SOE will be paid based on the Eurobond spread (between Sovereign and the SOE) or based on the share performance in case of an IPO, or maybe even being partially remunerated by shares which can only be vested once leaving the job - in order to make sure that it is in the interest of the management to take a long-term view on the company.

WHY IS THE AFOREMENTIONED SCHEME IMPORTANT?

First, every transaction of an SOE on the international financial market helps the respective country to draw up its risk map. Different types of risks-sovereign, sub sovereign, Eurobonds, shares of companies, of financial institutions, etc.-are valued by global financial markets which will help other private companies of the same country to better attract investors, or will help local banks to attract cheaper resources, in turn affecting local interest rates. When there exists no risk map of a country, it only increases the risk for investors and hence increases the price of loans and decreases the price of assets.

Secondly, the management of SOE's

when being remunerated through stock options or Eurobonds yield spreads will mean these companies take a different approach - they will try to solve inefficiencies, avoid involvement in politically motivated projects, political appointments or political financing and the governments will also be aware that any activity by an SOE beyond its profile may affect its share price or Eurobond price and by doing so the government's own standing will be affected negatively. The management will have to clean up the company, adopt transparent policies and use the best international standards of corporate governance.

Thirdly, these managers at the same time become international marketing agents for the government and for the country itself. Their remuneration depends on the price of the paper on the international market, which means that they must communicate with investors on a regular basis providing them with the relevant information about the country. Importantly, investors are also interested in creating the best venue to promote the country and its new positive developments, which in other cases might be irrelevant for these investors.

Despite many mistakes and much criticism, it should be acknowledged that over the past few decades IFIs have been successful in helping developing countries to grow and to fight poverty. And there have been a few shifts in the policies of IFIs which mostly proved effective.

Now, with the pandemic greatly damaging the existing economic policies of developing countries, IFIs need to adapt to new realities and reshape their policies. Saving the SME sector and assisting developing countries in attracting new investment, cleaning up their SOEs and designing transparent rules for financial aid may be the best role that IFIs can play in stimulating a recovery from the COVID-related economic crisis. **F**



THOUGHT LEADERS

PETER WIEBLER - CURRENT EVENTS

IT'S TIME FOR GEORGIA TO MOVE PAST POLITICAL POLARIZATION AND DELIVER A BOLD VISION FOR ECONOMIC DEVELOPMENT

Georgia faces the challenge of achieving a broad-based economic recovery from the COVID-19 pandemic. It also has an opportunity to consolidate its past development gains by delivering a bold vision for the future: reforms that incentivize investment, innovation, and integration with Western markets. To support that process, USAID is elevating our partnership with Georgia, working with the public and private sector to support reforms and build a more inclusive economy.



COVID-19 IS FIRST AND FOREMOST A PUBLIC HEALTH EMERGENCY. As societies around the world prioritize protecting their citizens, governments have been forced to make difficult choices; in many cases, temporarily closing businesses and schools. This has created extraordinary hardship for working people, families, and business owners around the world. This is true in my country, the United States, and here in Georgia.

A recent public opinion survey found that a majority of Georgians support the measures taken by the Government of Georgia to prevent the spread of the virus. As we know, lockdown measures come with significant economic costs. Gross domestic product declined by 6.1% in 2020. Some of Georgia's largest and fastest-growing sectors were the most vulnerable; the tourism, hospitality, and restaurant industries have been hit especially hard.

While many of Georgia's current economic troubles can be attributed to COVID-19, the underlying problems predate the pandemic. In fact, COVID-19 exposed major vulnerabilities in Georgia's development, reinforcing the need for reforms to stimulate greater private sector investment, innovation, and economic diversification.

To make this possible, Georgia's political leaders need to compromise and build the consensus necessary to move the country beyond repeated cycles of polarization and political crisis. Partisan disagreement is a normal and healthy feature of any democracy. It becomes destructive, however, when political rhetoric is focused on attacking opponents

rather than discussing how best to respond to the needs of citizens.

An effective response to COVID-19 requires consensus. In dealing with the health and economic implications of the pandemic, the Government of Georgia has a chance to engage communities, civil society, and the private sector to articulate a bolder economic vision for the future. By doing so, it can demonstrate its commitment to and accountability for achieving Georgia's development goals, including deeper integration with the West. To help Georgian society build on its past successes and continue to move forward, USAID is redefining our relationship with our Georgian partners in several key areas.

TRANSPARENT AND ACCOUNTABLE ECONOMIC GOVERNANCE BASED ON THE RULE OF LAW

Georgia's current economic situation calls for more investment, both from domestic and international sources, to create long-term job opportunities in the sectors with the highest growth potential. These include light manufacturing, intellectual services, information and communications technology, and logistics.

The benefits of growth in these areas are clear: higher-value jobs for workers; new products and services that can compete on international markets; enhanced integration with Euro-Atlantic economic institutions; and development of a regional transport, logistics, and services hub with

strong links to both Europe and Asia.

To accomplish this, Georgia's policymakers will need to commit to creating a system of fair, predictable, and transparent laws and regulations. Much of the policy framework is already in place. However, stronger implementation and enforcement are needed, including in areas like insolvency and tax dispute resolution. Just as USAID supported Georgia's Parliament and judicial institutions through four earlier waves of judicial reform, we are today even more committed to supporting our Georgian partners to fully and effectively implement these key reforms.

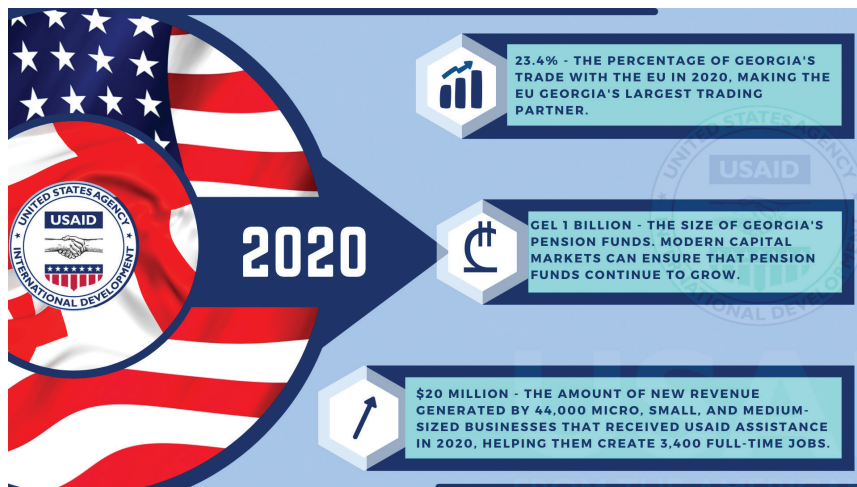
This will reassure investors and citizens alike that Georgia's courts are fair, impartial, and predictable - a basic precondition for sustained economic development.

Capital market reform is also important. A dynamic economy depends on capital markets that can convert savings into investment and funnel capital into high-potential industries. Georgia has made much progress in this area, namely the Law on Investment Funds passed in 2020 with technical assistance from USAID and other donors. The new law creates the regulatory framework for capital markets that can provide businesses with the financing they need.

USAID will continue to support the implementation of judicial and economic reforms. At the same time, we recognize that success will require Georgia's elected officials to move out of the post-election political impasse. Durable, pluralistic democratic institutions - the kind that foster political stability and a degree of consensus between ruling and opposition parties - are prerequisites for sustainable, market-driven economic growth.

STRENGTHENED EFFORTS AT ECONOMIC DIVERSIFICATION, MARKET INTEGRATION

USAID supports economic diversification and deeper integration with Western markets because doing so creates new opportunities for businesses - and employee incomes - to grow. It also reduces Georgia's economic dependence on markets in countries which do not share Georgia's values of democratic govern-



ance and economic freedom.

Additionally, these linkages - in trade, services, and energy transmission - form an anchor of economic opportunity that can help Georgia move closer to Europe. They create new incentives for governance and rule of law reforms, and make a strong case to business owners and the public for why Georgia's European path is the right way forward.

To continue making real progress, it is important that Georgia meets its EU Association Agreement and European Energy Community obligations. Doing so helps create an environment where both domestic and international companies view Georgia as an attractive market for investors. It also helps anchor Georgia in the community of stable western democracies, another key factor for sustained private sector investment.

IMPROVED EDUCATION AND SKILLS-BASED LEARNING

The most valuable asset of any country is its people. We see Georgians of all ages making an impact here as entrepreneurs, public servants, community leaders, and professionals of all stripes. Unfortunately, many others don't get a fair chance. Twenty-seven percent of young people are neither in school nor in work, an unacceptably high number.

This is largely because Georgia's education system doesn't produce enough graduates with the skills that Georgia's dynamic modern businesses need the most. The problem is fixable, but it requires reform at multiple levels, from primary schools to universities to the vocational sector. The

Government of Georgia has an important role to play, fully implementing its ambitious education reforms so that graduates leave school in a position to succeed. USAID is supporting this process, helping teachers and school administrators across the country deliver student-centered education.

Georgia's private sector can also contribute to skills-based education and workforce training initiatives. Businesses can view human capital as an investment - not only in Georgia's future, but in their own commercial viability. This is a major priority for USAID. We are currently developing a new, private-sector oriented, industry-led skills development program scheduled to go online later this year.

TURNING VISION INTO COMMITMENT, AND COMMITMENT INTO POLICY

USAID has supported Georgia since 1992. Now, we are elevating our partnership to help Georgia successfully overcome the challenges that remain on the path to long-term development.

Georgia's political leadership - both ruling and opposition parties - and the Georgian people all want to see the country become more secure, prosperous, and democratic, growing ever closer to Europe. Georgia has made notable progress toward those goals, but the past year has shown us that a bolder vision is needed. Now is the time for the Government of Georgia to demonstrate its commitment to a brighter future by taking, and implementing, the needed difficult economic policy decisions. **F**

Hungarian Perspectives in Georgia

Georgia recently hosted Peter Szijjarto, the Hungarian minister of foreign affairs and trade. The minister managed to meet with the Georgian business community during his short visit and left the country with the feeling that there is potential for Hungary and Georgia to deepen their economic relations. All this and more became apparent during an interview conducted by Editor-in-Chief of Forbes Georgia Giorgi Isakadze.

BY GIORGI ISAKADZE, TAMTA JIJAVADZE

Mr. Szijjarto, thank you so much for this opportunity. First of all, what was the purpose of your visit?

Hungary and Georgia enjoy a relationship based on mutual respect and trust. We have no open issues in our political agenda because we do not spend much time lecturing and criticizing each other. We always say that it is Georgians who know best what is good for them and the Georgian government never feels that there is a necessity to tell us how to manage our own lives. So, it is a political relationship based on mutual respect, which is the most important thing because it gives us the opportunity to take advantage of it. That is why economic cooperation is becoming more and more apparent. We work a lot on helping Hungarian companies to be successful in your market, be it the pharmaceutical food industry, water management or the defense sector.

We have opened a credit line of \$140 million with the Hungarian Exim Bank to finance business cooperation between Georgia and Hungary. I hope it is going to be used quickly because then we can open a new credit line. As you can see, we support the Eastern Partnership Program of the European Union, of which Georgia is a key stakeholder. We would like to see the successful European and Euro Atlantic integration of Georgia.

Can we say that your agenda mostly was economic?

Yes, you could say that.

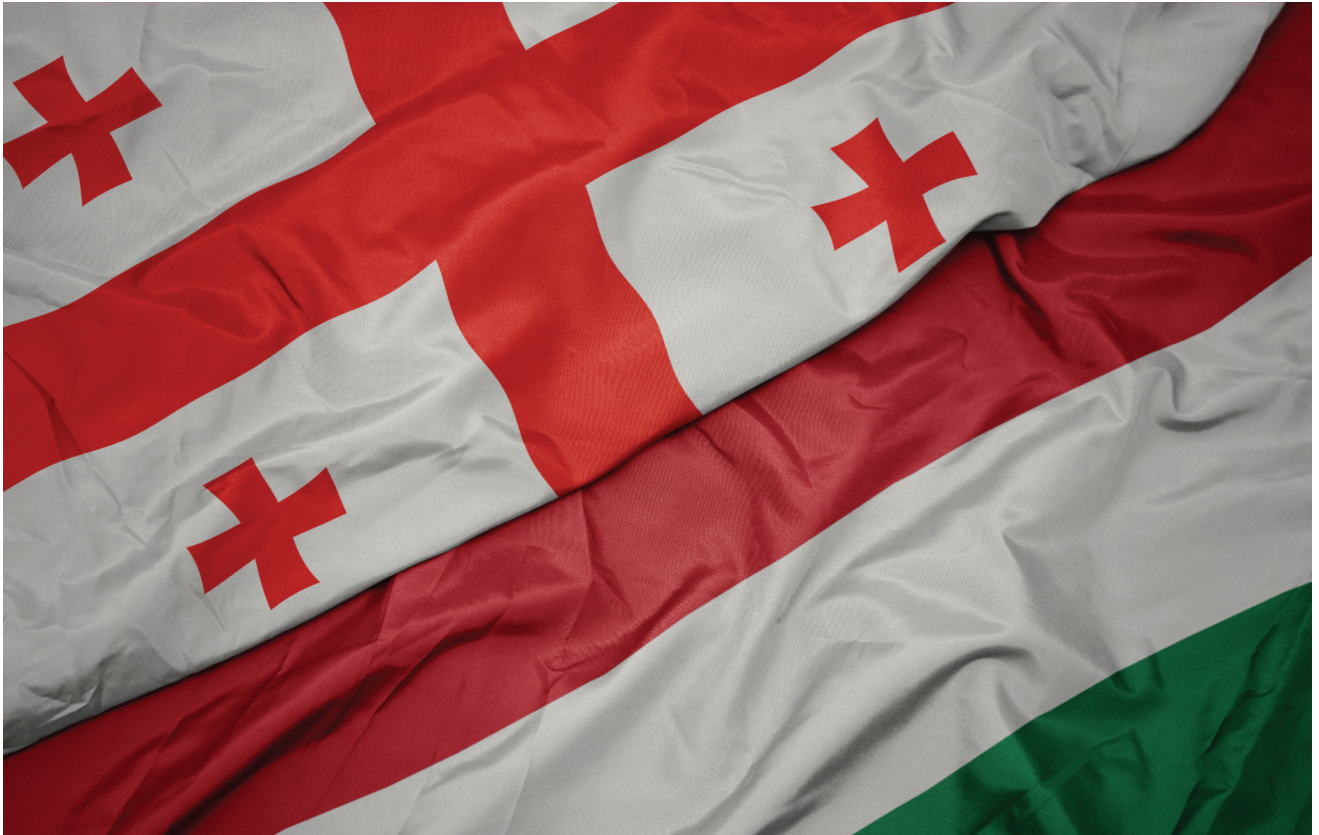
At the same time, Hungary is preparing for the chairmanship of the European Council. Was this the main topic of discussion with Georgian government members?

Obviously, we are preparing for our chairmanship in the ministerial commission of the Council of Europe. Georgia is part of the organization, and I know that there are very important issues for Georgia on the agenda. We are working together with David Zalkaliani on these issues.

We have set three important priorities, which I guess are in line with the political focuses of your government. First- the family, the institution of family is somewhat under attack recently. In Hungary, we carry out an extraordinarily strong subsidy policy for families. I understand that family is taken seriously by the government here as well. Second- the protection of Christianity, you Georgians and we Hungarians know very well the significance of the preservation of Christian heritage. Third -the issue of national minorities. We see massive violations of the rights of national minorities, and this is something that we have to curb. Otherwise, these violations can become root causes for further conflict, which we must of course avoid.

Minister, you are traveling from Israel, the most prominent worldwide leader in vaccination against Coronavirus. I am not asking for specific details of





your visit to Israel but let's talk about pandemic itself, how have European countries and how has Hungary dealt with it?

The main reason for our visit to Israel was to set up further cooperation regarding the fight against COVID-19. They have a fantastic track record when it comes to vaccination. More than 5 million people have received at least the first dose out of 9.5 million, which is a huge number. In addition, they are introducing the so-called green card system, this is a kind of COVID-19 passport. We have also introduced the green card system in Hungary. So far, it is only a plastic card because we have not yet made the decision regarding what kind of benefits the cardholders will receive. In our case we understood very clearly that the only real solution to the pandemic is vaccination. As you know, the European Commission launched a centralized procurement of the vaccine, which failed.

Failed, not delayed. You consider it as a failed?

These kinds of delays mean failure because the manufacturers deliver much less of the vaccine, much later and much slower than expected in breach of what was agreed in the contract.

We have thousands of new COVID-19 cases daily. So we cannot wait! So far we have signed contracts with both Russia and China. We contracted altogether 7 million doses, which enables 3.5 million people to be vaccinated. China has already delivered 1 million vaccinations twenty days before the deadline. When 170 people die on a daily basis and the shipment comes twenty days earlier, the benefit is clear. The Russians are doing their best to deliver on time as well. They are at around 70% completion currently. So, we managed the situation through eastern vaccines. If we had not made a deal with Russia and China, then we would be in an unbelievably bad position now.

Hungary was one of the first amongst other countries who started using the Chinese vaccine. Which vaccine is it?

It is Sinopharm, which was already being used in Hungary. In the European Union there are two ways that vaccines can be registered or certified. The first is the ordinary procedure through the European Medicines Agency. The second way is that during a state of emergency, national regulators can issue so-called emergency use authorization. So, our experts went to

Russia and China, they checked the procedures and the documentation, they had the necessary consultations based on which they made a responsible decision, and emergency use authorization was issued. So, now we have been using Russian and Chinese vaccines. The Prime Minister himself was vaccinated using the Chinese one. So far what I can tell you is that our experiences have been positive.

You only had a few hours in Georgia, but you managed to meet with some of the Georgian business community. I had the chance to attend the same event. Your presentation was fascinating. You mentioned possible cooperation between Hungary and Georgia, where we see no political agenda blocking the way. Where do you see space for cooperation, as the head of the ministry that is responsible for all external economic relations -including investment -between Hungary and Georgia?

I think it is obvious that we must take into consideration in which sectors we are successful, where we are brave and ready to offer our technology and products. Regarding the pharmaceutical industry, we are number 19 globally when it comes to exports. Two of the biggest Hungarian pharmaceutical companies are already present in the Georgia market. The next one is civic aviation; obviously here there is a Hungarian company as the market leader in Georgia. They have a big base in Kutaisi from where they cover thirty-eight destinations under normal circumstances. Then we have the defense industry where your Ministry of Defense and our defense research company have cooperated well and tests have already taken place. We have been involved in upgrading the water network of Tbilisi and done the same kind of project in Kutaisi. We respect Georgian cuisine a lot. We respect Georgian agricultural products a lot. We are relatively strong on that front also. So, these are the areas where we have to put the most emphasis on in the future.

What are your views on the auto industry, which is number one in Hungary? Do you have any specific ideas about possible cooperation with Georgia? I am talking about the traditional automotive industry, which is now moving to electric cars.

You are right! The automotive industry is number

one in Hungary, 30% of industrial performance comes from the automotive sector, which is a huge slice. And of course, now the main target is to transform our automotive industry from traditional to electro mobility. We have been making big steps in that direction in cooperation with the five producers that are present in Hungary - among them are Audi, Daimler, Suzuki, and BMW. We were successful to convince them to locate their electromobility related activities to Hungary. If Georgian companies can contribute to the success of the transformation of this industry, there will be a lot of benefit.

This is your fifth or sixth visit to Georgia. Tell us more about Georgia's geostrategic location. During your private meeting with members of the business community, you mentioned the importance and potential of Georgia within the region. What can Georgia do to attract more in this regard?

For us, the Caucasian region plays an important role because of energy and transportation. You know, energy supply in Hungary is a critical issue. And all of Central Europe, because of the one-sided dependence position, of course. The southern gas corridor represents a new reality. Now, the Southern Gas corridor goes through Georgia and it gives us the chance to diversify our sources and routes when it comes to the gas supply of the country. Additionally, we have made an agreement in Azerbaijan just recently that Hungarian companies will be involved in the reconstruction process of Karabakh. I understand that the transportation corridors that are going to be set up there make more sense. This gives us a chance to invest jointly in the infrastructural development of the region.

Do you consider any sort of joint ventures in Karabakh together with Georgia?

I had seven companies accompanying me to Baku to see how Hungarian companies could be involved. I met the president, the foreign minister, and the minister of public works as well. There we agreed that they have an openness to include Hungarian companies. But I am quite sure that when these Hungarian companies locate their facilities here, they will still need suppliers and subcontractors, which opens the possibility for companies in the region. ^F

A Case Study of Georgia's COVID-19 Response:

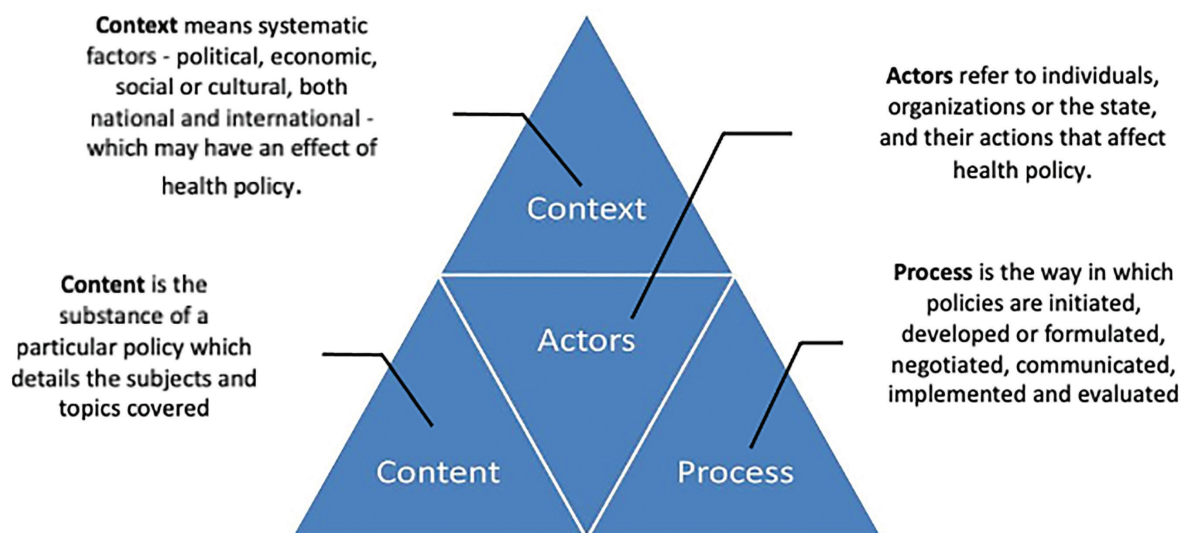
Right Decisions at the Right Time,
Prioritizing the Right to Health?

BY KAKI ZOIDZE



Figure 1.

Health policy triangle



INTRODUCTION

At the time of writing this article, the COVID-19 pandemic is still unfolding globally and is worsening in most parts of the world. Over 115 million people have contracted the disease in 220 countries, and over 2.5 million people have perished because of it. With an already grim outlook for the global economy, the full extents of the devastating economic and social effects of the pandemic are still unclear.

There are still many unanswered questions regarding the novel Coronavirus and how it managed to inflict so much damage around the globe. However, enough time has passed, and enough evidence has been accumulated for analysis and deliberation on the preliminary lessons learned from the response to the global pandemic. In some countries, the contagion spread like wildfire and health systems collapsed. In contrast, other countries appear to have been successful in controlling the outbreak and averting catastrophic results. Looking more closely at these cases may give us

insight as to why this disparity exists; what were the determining factors that made some countries and regions fare better than others, and more broadly, what has worked so far and what has not in response to the biggest challenge that humanity has faced this century.

This article presents a case study on the Georgia's response to COVID-19 pandemic, which international media and professional circles have praised as effective. The analysis below attempts to identify the prerequisites and factors that may have been especially important, if not decisive, in curbing the COVID-19 outbreak in the country.

We have used the Health Policy Triangle theoretical framework to describe when and what happened as the country mounted a response to the pandemic as well as tried to identify some of the factors and prerequisites that may explain why and how the policy response to COVID-19 was designed, implemented and the observed results achieved. This framework

stipulates that health policies are formed through the complex inter-relationship of context, process, and actors. Walt and Gilson proposed the health policy triangle as a way of systematically thinking about all the different factors that may affect policy (Figure 1). Policy formation falls into the process corner of the policy triangle and is influenced by actors, content, and context.

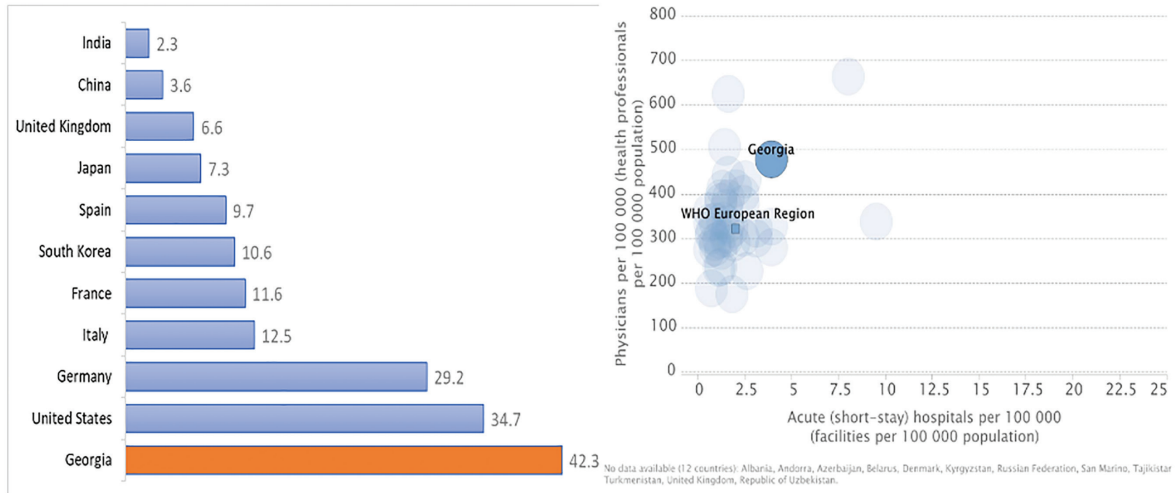
CONTEXT

Both global and national contexts influenced Georgia's response to the COVID-19 pandemic. The global context is particularly important, as the international nature of the challenge required an adequate domestic policy response.

GLOBAL CONTEXT

In the past four decades, the emergence of new infectious diseases has shaped not only clinical concepts but also those of science and public health. These infectious diseases have affected political and policy responses at global, regional, and national

Figure 2. Critical and acute care beds and physicians per 100 000 population, Georgia and selected countries and WHO European Region.



Source: McCarthy, N. 2020 for critical bed capacity; WHO Euro Health for All data for Physicians and acute hospital beds in Georgia and WHO European Region.

levels; had a severe economic impact, and profoundly influenced the anxieties and expectations of the public. The emergence of the severe acute respiratory syndrome (SARS) caused by the first novel Coronavirus in 2003 and the human-to-human transmission of avian influenza A (H5N1) demonstrated the speed at which an infectious disease, in our globalized world, can move beyond local origins to become a global crisis affecting the health of people and economies by reducing international travel and trade. SARS and H5N1 became the driving force for countries to reshape International Health Regulations (IHR) and to adopt a revision in 2005. The regulations are an acknowledgment that all countries are at risk from specific threats, such as a new infectious disease with the potential of international spread. The IHR also stresses the need for a proactive approach by any affected country and the need for transparency in reporting. This approach encompasses the prevention, containment, investigation, and timely reporting of findings. The 2009

H1N1 influenza pandemic demonstrated that a global outbreak of even a relatively mild disease could overwhelm the capacity of many countries to respond and raised several key issues. At the beginning of the pandemic, the naming of the virus (Swine Influenza) raised concerns regarding fairness and stigmatization. The naming issue, along with the rapid pace of developments and enormous amounts of information and misinformation, aided by social media and the internet, created significant levels of distrust and anxiety among countries, the media, the public, individuals, and organizations. The pandemic eventually underscored that states are better prepared than in the past, but they still have much to do to be adequately prepared. The Ebola outbreak in Africa in 2014-2016 reiterated the weaknesses in the world's ability to prevent and contain a global health threat. The report commissioned by the Global Preparedness Monitoring Board (GPMB) in 2019 pointed out that "For too long, we have allowed a cycle of panic and neglect

when it comes to pandemics: we ramp up efforts when there is a serious threat, then quickly forget about them when the threat subsides. It is well past time to act."

The emerging global response to COVID-19, caused by yet another novel Coronavirus, clearly shows persisting gaps in the global health security mechanisms and the repeated mistakes, shortcomings, and even failures, mirroring those from the previous pandemics. Specifically, many experts, and even governments, raised serious concerns regarding the timeliness and completeness of the information shared on the Coronavirus outbreak by China, where the new infectious disease originated, thereby violating the information transparency obligation under IHR. The Associated Press's investigation found that Chinese officials sat on releasing the genetic map, or genome, of the deadly virus for over a week after multiple government labs had fully decoded it, delaying for another two weeks the sharing of details key to designing tests, drugs, and vaccines. The

US government and several other countries (the UK and Canada) also accused the WHO of failing to act timely and communicate an early warning about the transmission of the Coronavirus between humans, slowing the global response to the pandemic. The WHO's decision not to recommend, and even advise against, the travel ban from Wuhan and quarantining passengers that were not ill, was also criticized. Due to these alleged shortcomings, the US government even suspended funding to the WHO. It is noteworthy that Georgian authorities, contrary to this specific WHO recommendation, banned flights from Wuhan and mainland China on 29th January 2020 and introduced mandatory quarantine for all Georgian citizens returning from China through other routes. Retrospectively, this appears to have been the correct mode of action to prevent the early spread of infection in the country. Many European countries and the US were forced to introduce travel bans weeks later, thus missing the opportunity to prevent hundreds of imported infection cases.

The global context for COVID-19 response, particularly in the initial stages, was influenced by the implication that autocratic governments are better at tackling infectious diseases because they can mobilize quickly and impose necessary lockdown measures strictly. For example, China aggressively promoted its success in containing the outbreak and the significantly lower fatality rate when compared to the democracies of Italy, Sweden, the UK, and the US. Russia, for a long time, reported fewer cases than any European democracy, and Turkmenistan reports zero infections to date. This implication is important, as it may have a long-lasting negative impact globally, and in particular, for Georgia with its emerging democracy. However, more careful analysis shows that this appears not to be true. On the contrary, the Economist argues that "the majority of data suggests

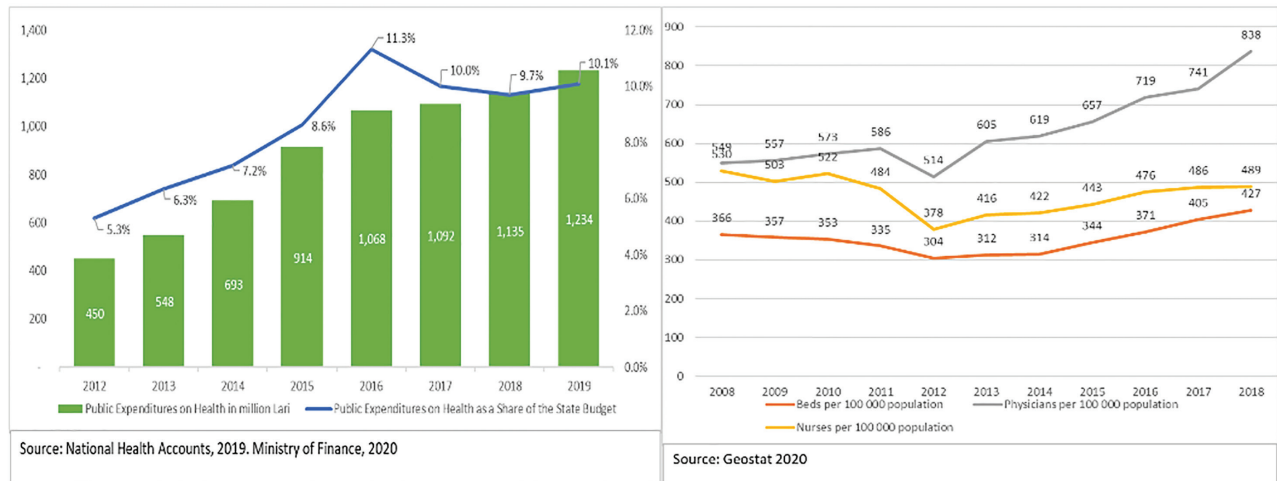
political freedom can be a tonic against disease." Hence, comparative analysis of Georgia's COVID-19 response with other transition countries and with autocratic governments gains a whole new meaning.

Another essential global contextual factor that contributed to the flaws in global and country-level responses was the absence of epidemiological models that could reliably predict the COVID-19 outbreak scenario and enable the design of adequate policy responses. Potential reasons for the failure of COVID-19 forecasting in many countries includes an absence of or poor quality information on the key characteristics of the Coronavirus that go into theory-based forecasting. The poor quality of inputs resulted in wrong assumptions in modeling, mainly based on past outbreak experiences that turned out to be irrelevant for COVID-19. For example, the basic reproduction number in most pandemic models was estimated at a maximum of 2. In contrast, the COVID-19 reproductive number is currently estimated to have been almost three times higher than that figure at 5.7. In other words, it means that the novel Coronavirus is far more transmissible than assumed in the pandemic models. In the absence of solid modeling, particularly at the earlier stage of the pandemic with many unknowns, policymakers faced difficult dilemmas and often impossible decisions when designing appropriate policy interventions to counter outbreaks in their countries. The uncertainties in forecasting were compounded by sparse past evidence on the effects of available interventions, including mobility restrictions.

The COVID-19 response highlighted the importance of the global movement to build stronger health systems to achieve universal health coverage (UHC). Universal health coverage is defined as ensuring that all people have access to health services (including prevention, promotion, treatment, rehabilitation and palliation) of sufficient

quality to be effective while also ensuring that the use of these services does not expose the user the financial hardship. When outbreaks are big enough to overwhelm healthcare systems, deaths soar, since even cases that might respond to treatment, become deadly. Poor countries have fewer hospitals and doctors as well as less of the necessary kit, from ventilators to disposable gloves and gowns. With the pandemic-induced crisis expected to worsen before it improves, there are some foundational issues relating to health systems and people's access to health services that determine how successful individual country's policy responses are to this global health threat. Households increasingly face financial strain as the COVID-19 outbreak becomes an economic crisis in many countries. If people face concerns about healthcare affordability, they may delay seeking treatment or be prevented from obtaining the services they need, making the outbreak harder to control. That is why, according to the International Partnership for Universal Health Coverage 2030 (UHC2030), "Right now, health systems and UHC are what will make the difference to each country's response to COVID-19. They affect whether all or only some receive treatment, as well as rates of recovery and the level of protection afforded to health workers." In recent years, G7 and G20 leaders promoted strong and resilient health systems as vital for both UHC and health crisis management, which are "two sides of the same coin." The UHC2030 Key Asks applied in the context of COVID-19 are mutually reinforcing and include the call for bold political decisions and responsible leadership at the highest level. Governments need to prioritize health crisis preparedness and responses, invest more in health systems and remove financial and other barriers that prevent access to relevant information, appropriately prioritized testing, or treatment for COVID-19. The global context of interlink

Figure 3. Public expenditures on Health Care 2012-2019;



between UHC and COVID-19 is particularly relevant for Georgia, where the seven-year-old political and policy commitment to UHC in the realization of health as a fundamental human right has played an important role in ensuring an adequate pandemic response.

NATIONAL CONTEXT

The two most critical contextual factors that contributed to shaping the COVID-19 policy response in the country were macroeconomic and health system resilience. Georgia, with its young democracy and transition economy, is generally vulnerable to any outside shocks. The last six months have demonstrated that the COVID-19 pandemic is a major global threat capable of delivering a devastating blow to the economies, health, and social systems of leading industrialized countries if not properly contained. The national lockdown used to prevent the spread of the virus in the absence of an effective vaccine is a double-edged sword - on one side it disrupts the virus transmission chain, on the other it destroys economic and social ties within society and if used for an extended period leads to even

more poverty, suffering, and death than direct fatalities from the virus. Georgia does not have the macroeconomic resilience to withstand an economic shock of the magnitude that uncontained COVID-19 and/or an extended national lockdown to prevent its spread may have. When initial mobility restrictions were introduced, the Georgian currency plummeted to a historic low combined with the looming threat of inflation. Tens of thousands of temporary and permanent jobs were lost or fast became endangered. The Government of Georgia (GoG) was even more constrained than stable economies in its ability to both deepen and extend the mobility restrictions and the lockdown, attaching vital importance to the early and targeted application of infection containment measures and an effective health system response.

An effective health system response in public health emergencies depends on a system's readiness for a specific disaster (a pandemic in this case), and resilience to adapt to and withstand shocks. In terms of health system readiness for COVID-19, we look at two key factors: preparedness and response plans and core capabilities to de-

tect and respond to outbreaks. According to Handfield et al., resilience depends on three core dimensions corresponding to three health system functions: "health information systems" (having the information and the knowledge to make a decision on what needs to be done); "funding/financing mechanisms" (investing or mobilizing resources to fund a response); and a "medical workforce" (who should plan and implement it). These intersect with two linked aspects: "governance", as a fundamental function affecting all other system dimensions, and predominant "values" shaping the response and how it is experienced at individual and community levels. The three dimensions of resilience are also part of the health system's preparedness and response capabilities: health information systems, adequate financial resources/funding, and a medical workforce, along with the surge capacity (healthcare infrastructure and equipment) required to accommodate the increased patient workload during the outbreak.

Georgia has in place pandemic influenza preparedness plans and the appropriate legal and policy framework as well

as emergency funding mechanisms to respond to outbreaks and biological incidents effectively. This framework and most importantly, the key outbreak response capabilities – NCDC’s G. Lugar Center for Public Health Research and its surveillance and laboratory capacities and public health workforce: health planners, epidemiologists, laboratory personnel, who were the “national frontrunners in the battle against the Coronavirus” were critical to the country’s COVID-19 response. Equally important were the cadre of infection disease specialists, intensive care physicians and nurses, nurse aides, medical students/volunteers, who have been “first responders” on the frontline against COVID-19. In terms of critical infrastructure and equipment needed for an effective COVID-19 response, the country has 2,290 critical care beds, or 61.9 beds per 100,000 population, with 1,749 ventilators approved for the management of the respiratory distress syndrome (the most common and dangerous complication of the COVID-19). Georgia’s critical bed capacity, even when adjusted by the number of ventilators available, considerably exceeds that of the world’s leading nations. Georgia also ranks among the top five countries in the WHO European Region by the number of acute (short stay) hospital beds and the number of physicians per 100,000 population (see Figure 2). According to the GoG, Georgia’s 488 certified intensive care specialists, in case of COVID-19 cases surge, can be mobilized to fully staff 1,200 critical care beds with mechanical ventilators, providing considerable surge capacity for the country to respond to the pressure on the healthcare system adequately.

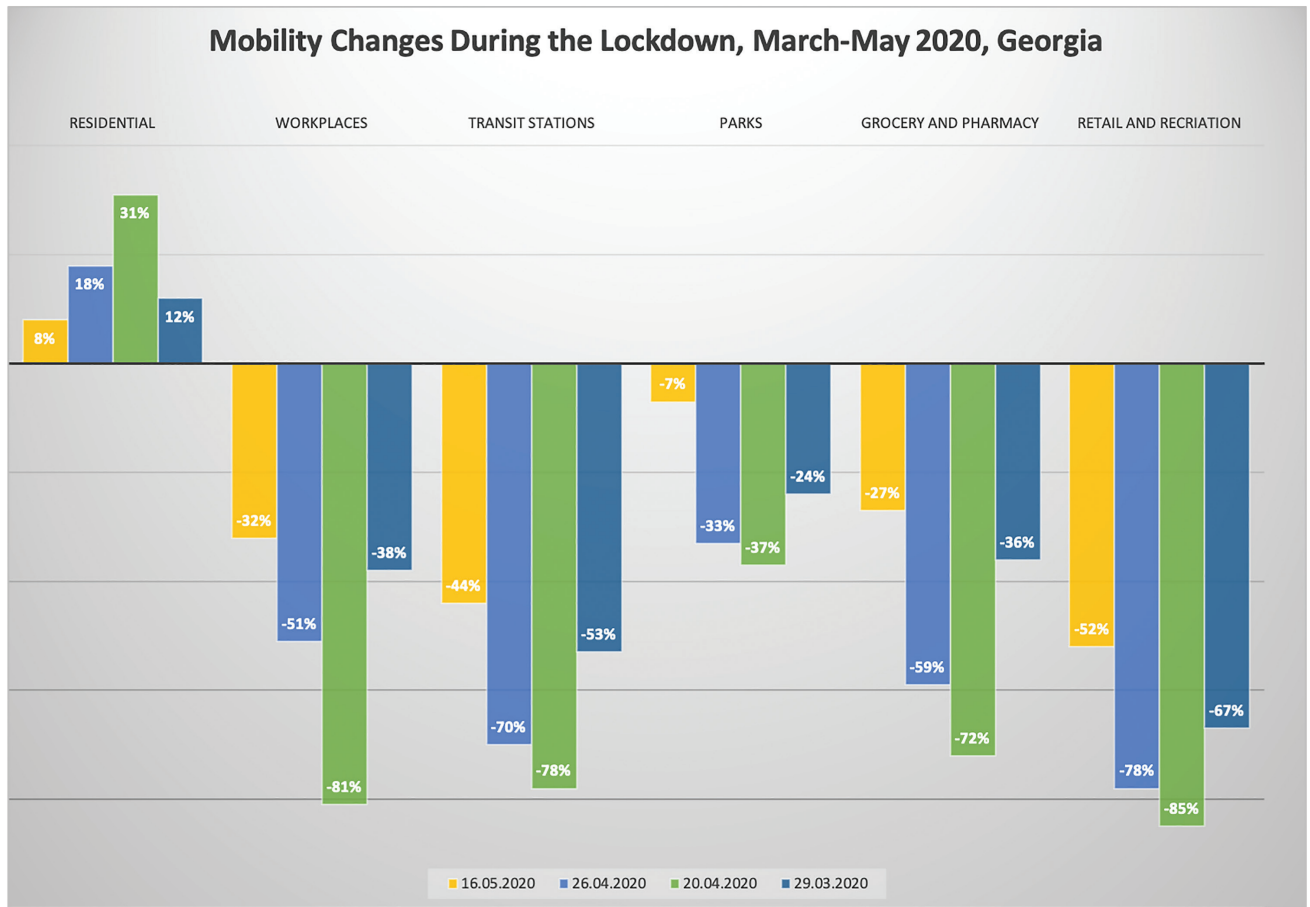
Based on the GoG’s report on COVID-19, Georgia’s health information system provided the necessary data to decision-makers in a timely manner. More specifically, the COVID-19 case notification system functioned without any visible flaws. Epidemiologists identified more than 3,400

contacts for a total of 700 confirmed cases (by the end of May). NCDC has re-oriented a sentinel surveillance system for seasonal influenza to detect SARS-CoV2 to control the status of the COVID-19 community transmission, even before the first case confirmation in Georgia. On 16th April 2020, the GoG introduced a new mobile phone application for voluntary use. This application is an important tool for tracing contacts of Coronavirus-infected people and for preventing the further spread of the virus, enabling its users to find out whether they have been in contact with a COVID-19-infected person. The Ministry of Internally Displaced People from Occupied Territories, Labor, Health and Social Affairs (MIDPOTLHSA) created a live tracker of admitted and discharged COVID-19 patients and vacant beds in COVID-19 dedicated clinics.

Finally, the two interlinked aspects of health system resilience in Georgia, system governance and values are intrinsically tied to the country’s long-term policy aspiration to achieve UHC. For the ruling party, Georgian Dream (GD), the introduction of the UHC program in 2013 is one of the major achievements since it won the national elections in 2012. This achievement is recognized internationally, and despite certain implementation and efficiency concerns that emerged in the program recently, almost every public opinion or experts’ poll for the last seven years also shows continuing support to sustainment and further expansion of the UHC. The GD government regards the UHC as a unique opportunity to practically realize the right to health enshrined in the WHO constitution and the European Convention on Human Rights and the European Social Charter to enable people to enjoy the highest possible standard of health attainable. Since regaining independence in 1991, healthcare was a low policy priority and was financed with a “residual principle” – what was left from

other priority sectors, such as public safety, defense, infrastructure, etc. With the introduction of the UHC, healthcare gained high political priority, and the health budget almost tripled in absolute terms. It doubled as a share of the public budget, making health a clear budget priority in the period from 2013 through to 2019 (Figure 3).

Increased public expenditure not only removed financial barriers to utilization of essential services and prevented the impoverishment of tens of thousands of Georgian citizens due to catastrophic health expenditure but also attracted over 1.4 billion Lari (circa \$620 million) in private capital investment in healthcare infrastructure and equipment. As a result, the resources (beds and medical personnel) available for healthcare have progressively increased in the same period surpassing the per capita health sector capacities of most countries in the world. In the pre-pandemic period, this trend resulted in excess capacity and a perceived inefficiency of the hospital sector: despite the increased volume of services, hospital bed occupancy rates across the nation never exceeded 50-52%. Once COVID-19 emerged, the excess hospital infrastructure and personnel transformed from being a negative aspect of the Georgian healthcare system into a positive contributing factor of health system readiness. Policymakers had a far greater possibility to plan and mobilize surge capacity and health personnel contingency plans for the COVID-19 response than they would have had if Georgia’s health sector operated at maximum efficiency, as was the case in the UK and many states in the US. Furthermore, we believe that the high political priority given to health in policy making sustained over the years contributed to the crucial decisions made at early stages of the COVID-19 outbreak in the country, tipping the scales in favor of public health considerations when the choice appeared to be between lives and livelihoods



in the Spring 2020. Although, the decisions adopted by the politicians were opposite later in the Fall, when the strong recommendations from epidemiologists and public health leaders were discarded and the regional mobility restriction measures were not introduced in one of the key touristic regions of Georgia - Adjara, where the initial outbreak of the second wave occurred in September 2020, so close to the politically important parliamentary election date of 31 October 2020. Most likely, adding the political factor to these crucial scales has finally tipped them towards the pandemic response policy decisions based on political-economy motivations, rather than the public health, when making the same choice between the lives and livelihoods.

CONTENT

The COVID-19 response policy in Georgia draws on several blocks of measures included in the Decree of the Government of Georgia #164 dated 28th January 2020 on "Approval of Measures to Prevent the Possible Spread of the New Coronavirus in Georgia and Approval of an Emergency Response Plan for Cases Caused by COVID-19".

The following strategic objectives are defined in the Plan:

- Country preparedness for expected threats in case the disease is imported;
- Measures to prevent or reduce the effects of imported and local transmission;
- Support efforts to meet international regulations (WHO) to stop, slow down, restrict and report the outbreak of COVID-19;
- Mobilize healthcare systems for the

treatment and assistance of patients with COVID-19 through the continuing provision of essential health services to the population;

- Continuous provision of public information and media engagement.

To address these objectives, the GoG planned the following health system response measures:

- Control imported cases and clusters and prevent community transmission by rapidly finding and isolating all cases, providing them with appropriate care, tracing, quarantine, and support.
- Mobilize all sectors and communities to ensure that every sector of government and society takes ownership of and participates in the response and in preventing cases through hand hygiene, respiratory

etiquette, and individual-level physical distancing.

- Suppress community transmission through context-appropriate infection prevention and control measures, population-level physical distancing measures, and appropriate and proportionate restrictions on non-essential domestic and international travel;

- Reduce mortality by providing appropriate clinical care for those affected by COVID-19, ensuring the continuity of essential health and social services.

More details of the COVID-19 policy content and status of their implementation is presented in the GoG report on measures implemented by the Government of Georgia against COVID-19 published in May 2020 and is available on the Health System Response Monitor website maintained by the WHO European Regional Office, which also provides a comparative analysis of the COVID-19 response with other member countries.

ACTORS

The COVID-19 response in Georgia was planned and undertaken as a concerted effort of multiple actors, both international and domestic.

NATIONAL ACTORS

Prime Minister Giorgi Gakharia chaired the Interagency Coordination Council (ICC) and later the Operational Headquarters on the Management of the State of Emergency coordinated overall response planning and implementation. Deputy Prime Minister Maia Tskitishvili served as a deputy chair of the ICC and coordinated logistical aspects. The Minister of Internally Displaced People from Occupied Territories, Labor, Health and Social Affairs Dr Ekaterine Tikaradze and the First Deputy Minister Dr Tamar Gabunia led the health system response assisted by the NCDC leadership Dr Amiran Gamkrelidze and Dr Paata Imnadze and

Dr Avtandil Talakvadze, Director of the Emergency Situations Coordination and Urgent Assistance Centre. These bodies were and are responsible for the implementation of the plan in compliance with International Health Regulations: coordinating surveillance, risk communications, international reporting, testing, and clinical management. Dr Tengiz Tsertsvadze led the clinical response team responsible for the national treatment protocols. The Ministry of Interior was responsible for public safety and observance of rules of emergency state and curfew. In guaranteed regions and zones, the Ministry of Interior was assisted by the Minister of Defense and the armed forces. Regional governors coordinated the regional operational headquarters and together with local government and self-government representatives, all activities in the lockdown regions and municipalities.

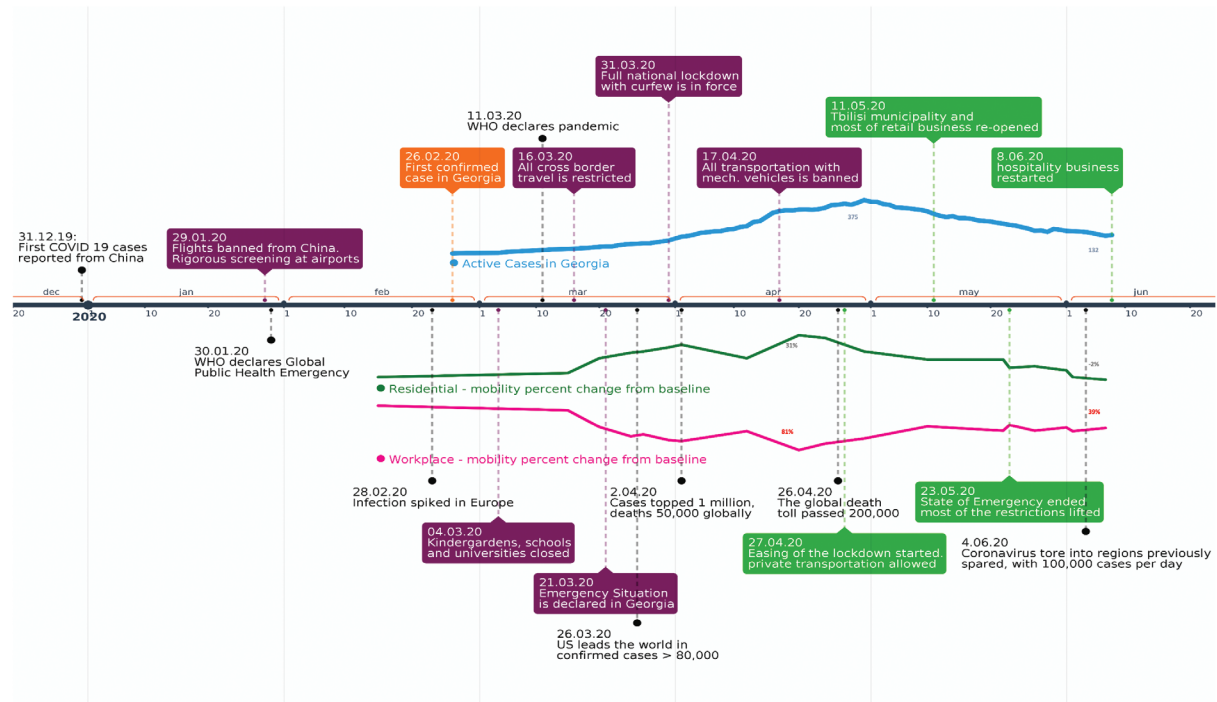
While public agencies coordinated the COVID-19 response, private sector actors played defining roles in the response. First and foremost, individual citizens, who listened, complied with strict mobility restrictions, observed the rules, demonstrated compassion and solidarity towards the most affected –the poor and elderly, those that lost jobs and subsistence. Every fifth Georgian family, already in a low income bracket, experienced a further drop as a result of the pandemic lockdown. Georgian citizens were key actors in ensuring an effective response to COVID-19. Private actors in Georgia dominate the health sector (about 86% of hospital capacity is private), and no health system response would have been possible without an effective public-private partnership. Private operators of essential services and infrastructure have been most exposed and on the frontline of the COVID-19 response. Businesses from other sectors were the ones most affected, as their operations were suspended for two months and had to incur additional expenses for complying with new regulations

after reopening. Private businesses also mobilized financial resources for an Anti-Covid Fund, where over 133 million Lari was accumulated, the lion share of which – 100 million – was provided by the wealthiest citizen of the country and chair of the ruling party Bidzina Ivanishvili. NGOs (e.g., The Red Cross), community organizations, and volunteer groups have carried significant humanitarian efforts for those in need and actively participated in public awareness campaigns.

INTERNATIONAL ACTORS

Global organizations such as the WHO and other United Nations (UN) organizations, the European Union (EU), the European Centre for Disease Prevention and Control (ECDC), the US CDC, the International Monetary Fund (IMF), the World Bank and Georgia's strategic partner countries were and still are all playing a role in policy formulation to global threats affecting the country. To name a few: the WHO provided invaluable support in preparedness and readiness measures, assisting with the response planning, theoretical training and practical exercises for enhancing the infection control and response activities, provided technical guidance for all aspects of the health system response. The IMF disbursed emergency assistance and thus facilitated other multilateral and bilateral partners' support to the country. The World Bank and the ADB provided emergency project funds for immediate response measures and will be preparing larger projects for long-term recovery. The US government assistance through the Defense Threat Reduction Agency and the US CDC over the years was crucial in creating the response capabilities at NCDC and its Lugar Center. The US funded programs produced hundreds of qualified epidemiologists, laboratory specialists and public health planners, who have been on the frontline of the COVID-19 response not only in Georgia,

COVID-19 Response Timeline in Georgia



but also throughout the Caucasus. The Czech Development Agency assisted in the retraining of more than 1,000 primary healthcare doctors in infection control and COVID-19 management.

PROCESS

On 31st December 2019, the government of China confirmed, and the world learned that Wuhan health authorities were treating dozens of cases with the previously unknown, novel Coronavirus. On 6th January 2020, the MIDPOTLHSA of Georgia alerted the Government of Georgia regarding the novel Coronavirus and started adjusting the country pandemic preparedness plan to the newly identified virus.

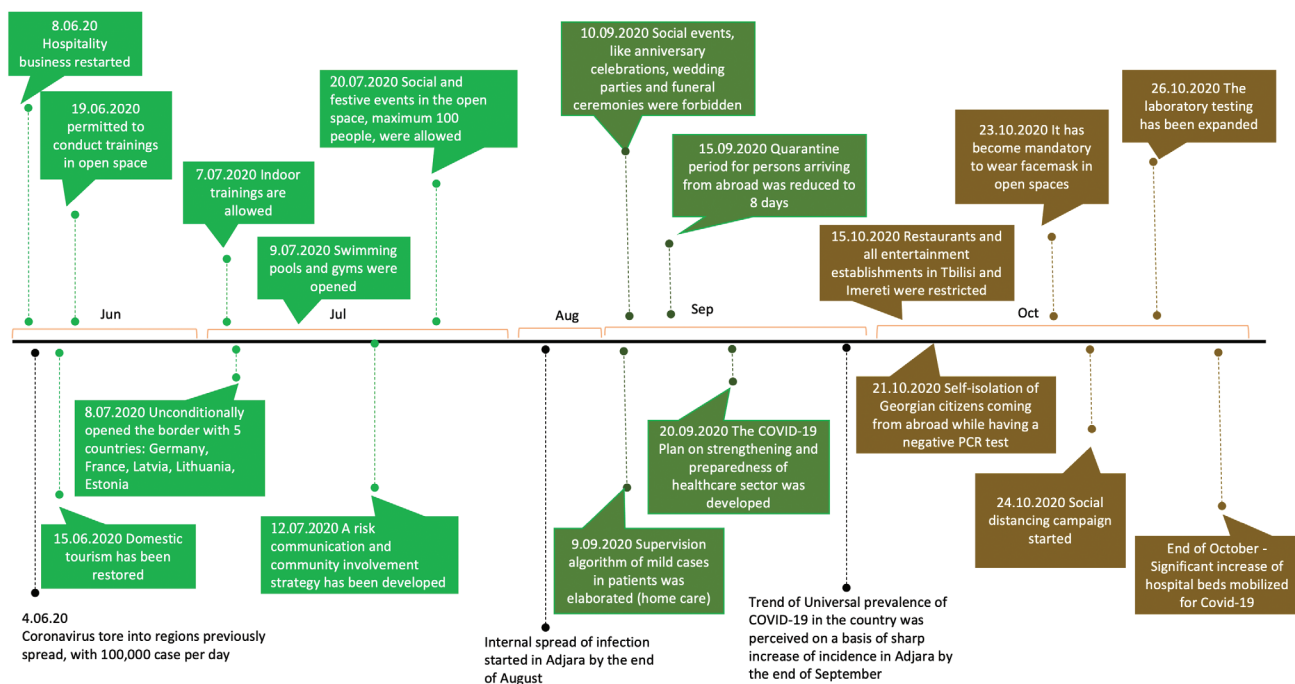
By 20th of January, Japan, South Korea, and Thailand confirmed the first cases outside China. Eight days later, the GoG approved the pandemic preparedness plan and established a special task force for coordinating a COVID-19 response – Interagency Coordination Council. The authorities

imposed a mandatory 14-day quarantine for all passengers returning from China (see Annex). The isolation requirement was later extended to Italy, France, Germany, and other European countries, and rigorous thermal screening was introduced for all border checkpoints. The active response to the COVID-19 outbreak in Georgia started on 25th January 2020, when emergency medical teams equipped with C-level Personal Protective Equipment (PPE) and remote thermometers were placed at seven key entry points. This was seen as part of Georgia's responsibilities as a party to the International Health Regulations, guided by the recommendations of the WHO and the ECDC. By 30th January, the Lugar Laboratory of NCDC developed testing capabilities identifying COVID-19 carriers, approved the COVID-19 case national definition, testing, prevention, and treatment national guidelines. The GoG also launched a full-scale public awareness campaign.

On 30th of January, the World Health

Organization (WHO) declared the COVID-19 outbreak as a public health emergency of international concern alerting the global community and calling for concerted international action. On 14th of February, France announced the first death in Europe, and Iran experienced a surge of COVID-19 cases. Two days later, Georgia suspended travel from Iran. Yet, on 26th February, the first confirmed case of a Georgian citizen with travel history from this country was registered (see Annex).

From 28th February, the infection started to soar in European countries—Italy, Spain, France, Switzerland, and Belgium were among the most affected. Based on the recommendations issued and the experience available so far, countries began implementing non-pharmaceutical measures in response to the spread of COVID-19. These measures included: closing educational institutions and transitioning the educational process to a remote mode of operation, banning mass and public gather-



ings, restricting individual economic activities, physical distancing, and declaring a state of emergency throughout the country, which included the implementation of strict quarantine measures and a curfew. However, in most countries, these mobility restriction measures were taken when the confirmed cases reached thousands. For example, when France imposed a nationwide lockdown on 17th March, the country had more than 6,500 infections and more than 140 deaths. The United Kingdom adopted similar strict measures a week later, 23rd of March, after a short-lived attempt of a laissez-faire approach to COVID-19 resulted in 6,650 confirmed cases and 335 deaths.

After the first registered COVID-19 case, Georgia progressively escalated the mobility restriction measures until the President declared and the Parliament approved a state of national emergency on 21st of March. The country went into full lockdown with a curfew on 31st of March. The lockdown included the suspension

of all international travel, intercity, and municipal transportation, all educational, cultural, and business activities (except essential services, and operations of critical infrastructure), bans on public events and mass gatherings of more than three individuals and stricter “stay home” orders for individuals aged over 70. Several large municipalities with higher epidemiologic risks were quarantined. The GoG embarked on all these measures when less than 100 cases and no COVID-19 induced deaths were registered in the country. In doing so, the GoG followed recommendations from the national health authorities, epidemiologists, and public health experts stemming from the guidance of WHO, the US Centers for Diseases Control (CDC) and ECDC.

By 2nd of April, the pandemic had infected more than one million people in 171 countries across six continents, killing at least 51,000. The US began to lead the world in confirmed cases. Cases surged in Russia and Turkey, two of Georgia’s largest

neighbors. Widespread national lockdowns imposed in the leading economies in April dramatically worsened the global economic outlook. The IMF concluded that the world was heading towards the worst downturn since the Great Depression and called it “The Great Lockdown”. Georgia also experienced an acceleration of daily confirmed infection cases and recorded three COVID-19 related deaths.

By mid-April, with a continued increase in infections and with the first suspected community transmission case of COVID-19, and in anticipation of potential massive violations of mobility restrictions and physical distancing rules during the celebrations of the Orthodox Easter on 21st of April, the GoG further tightened the lockdown by prohibiting all mechanical transportation (other than by motorcycles) and entering or exiting four major cities of the country, including the capital Tbilisi, by any means of transport. Wearing face masks in enclosed public spaces became mandatory.

Public messaging and risk communication intensified. Judging from the Google Community Mobility Reports (see Figure 5), these extreme measures indeed had the desired impact on community mobility in Georgia. Almost one-third increase in the share of population staying at home, and respectively 81% and 85% decreases in the people's presence at workplaces and public areas (retail and recreation) in the week of 20th April, compared to the baseline. It appears that the citizens' confidence in the GoG, the ICC and MIDPOTLHSA and in their decisions in curbing the outbreak contributed to this high compliance with the restrictions.

By 26th of April, more than 2.6 million individuals had been infected worldwide, and the global death toll due to COVID-19 had reached 200,000. Italy had seen 25,000 deaths. Spain suffered 22,000 fatalities, France had 21,000, and the United States have lost 46,000 people to the virus. On the same day, Georgia had under 500 confirmed cases and only five COVID-19 related deaths. Twice as many Georgian nationals died abroad in Italy, Spain, and the US. The GoG began the repatriation of Georgian citizens, who were trying to escape from the worst affected European countries, where many Georgians went for better education or employment opportunities before the pandemic.

In the absence of widespread community transmission, with daily case numbers dropping below 30 and the effective reproduction number R_t estimated at under 0.5, - the GoG started easing certain restrictions from 27th of April. After reaching a peak on 1st May at 375, the number of active COVID-19 cases began to decline and continued this trend after lockdown and the state of the national emergency ended on 23rd of May. The number of active cases was down to 132 as of 10th June. By mid-June, the GoG had removed almost all mobility restrictions, with the exemp-

tion of the ban on mass gatherings of more than ten individuals, operation of open agrarian markets, and cross border travel for foreign nationals. The reopening of air travel for visitors and tourists, which is vital for the Georgian economy was expected by 1st August. Building on the demonstrable results of taming the COVID-19 outbreak, the GoG was determined to promote the country, not only as a safe tourist destination already known to more than 9 million visitors from the pre-Coronavirus world in 2019, but also as a safe summer retreat away from the havoc that still reigned in most parts of the world.

By 1 of August, the air travel reopened only with five European countries, considered to be in a green zone for Georgia and fewer than expected visitors arrived from these countries. The GoG started successfully promoting the domestic tourism to mitigate the negative effect of the lost tourist revenues. In the conditions of alleviated mobility restrictions and near to total neglect of the physical distancing, medical masks and restrictions to mass gatherings in enclosed spaces, this most likely led to the COVID-19 Outbreak in one of the most popular summer sea resort tourist destinations - Batumi. The attempts to contain the outbreak with expanded testing and contact tracing intensified by NCDC, without introduction of the mobility restrictions and partial or full lockdown, were unsuccessful, the infection rapidly spread to other parts of the country, with numbers increasing at an escalating pace, reaching triple digit numbers of daily infections by the beginning of September.

The ICC and GoG did not introduce any mobility restriction measures during September and October, beyond reimposing the mandatory medical masks in closed spaces and ban on mass gatherings (social, cultural, sports and public events). In my opinion, this decision was determined by a combination of political, economic and po-

litical economy factors. More specifically, by the parliamentary elections that were held on 31 October 2020. In anticipation of this important political event, the GoG refrained to introduce any unpopular measures. The major restrictive measures would have certainly triggered protests and dissatisfaction in general public and particularly among hundreds of thousands of individuals involved in small scale economic activities that would have been hard hit with these measures. This, and major increase in the population mobility associated with the pre-election period and election day, have contributed to rapid worsening of the COVID-19 situation in November, with daily infections exceeding 14-day incidence of 1,000 cases per 100,000 inhabitants and with over 165 thousand confirmed cases and more than 1,500 deaths by the beginning of December 2020.

CONCLUSIONS

While the COVID-19 pandemic is still far from over, despite the "light at the end of tunnel" shed by the availability of effective vaccines, certain preliminary conclusions can be derived from the preceding analysis of the Georgia policy response:

The global response to the novel Coronavirus, particularly at the early stage, was flawed and repeated some of the same mistakes made during the previous outbreaks. The WHO, as a coordinator of international response efforts, allegedly did not apply adequate effort to ensure the timely acquiring and verification of accurate information regarding the emerging threat, which may have contributed to the delayed preventive measures in some countries currently most affected by the pandemic. In this context, the Georgian authorities were able to assess the threat adequately, and contrary to the WHO advice, ban air travel from China and introduce mandatory quarantine for travelers returning from the outbreak hotbed. Since then, over 20,000 individuals, mostly

travelers (Georgian citizens returning home) were in quarantine by the first week of June.

Decision-makers in Georgia and elsewhere, when designing response policies, faced higher political risks due to the uncertainty in forecasting and poor past evidence on the effects of available interventions, including the mobility restrictions. In these conditions, with people's lives and livelihoods at stake, decision-makers in Georgia appear to have unconditionally prioritized the population's health and had strong confidence in health experts and authorities to follow their recommendations on a draconian lockdown when only a few cases were confirmed in the country. The GoG introduced non-pharmaceutical measures with uncertain (at that time) effects on infection spread, but easily anticipated detrimental economic and social effects. Political risks associated with such policy decisions were even higher, considering the upcoming parliamentary elections in fall 2020 when any mistake in managing the COVID-19 and its health, economic and social effects on the Georgian people would have had dire electoral consequences for the GoG and the ruling party. For these reasons, many decision-makers in the governments around the globe (for example, the US, the UK, Italy, Spain, Sweden, Belarus, Brazil, and Russia) either opted out of or delayed radical mobility restriction measures. Unfortunately, the decision makers in Georgia also finally gave to the enormous election-related political press and ignored the public health recommendations on introducing the regional lockdown during the second wave in September-October 2020 very close to the crucial parliamentary election date.

Aware of the imminent negative economic and social repercussions, the Government of Georgia showed courage in taking unpopular decisions by swiftly and strictly adhering to public health experts'

recommendations. This may not have been possible if the governance and values of the GoG have not been shaped by the long term political and policy commitment to health as a fundamental human right and UHC as means for realizing this right. However, these values proved to be insufficient, when political considerations prevailed in the Fall of 2020.

These decisive early actions of the GoG most likely saved lives, by preventing the import of the virus and slowing down the spread of infection and have provided more time to the health sector to prepare for the arrival of COVID19: to ready emergency response systems; to increase capacity to detect and care for patients; to ensure hospitals have the necessary staff, supplies, structure and system and necessary surge capacity is available.

Planning adequate surge capacity and timely mobilization of necessary medical personnel would have most likely been impossible without the infrastructure and workforce capabilities created by the private investment in the healthcare sector, as well as the major increase in public spending on health through UHC program. These investments also helped to enhance the overall resilience of Georgia's healthcare system.

The preparedness and response legal framework developed over the years and most importantly, the key outbreak response capabilities - NCDC's G. Lugar Center for Public Health Research and its surveillance and laboratory capacities and public health workforce: health planners, epidemiologists, laboratory personnel, were critical for the country's COVID-19 response. This was achieved with the continuing support from the US Government, the World Bank, and other international partners.

Georgia has shown that democratic states, even emerging and young democracies, are more than capable of mounting

an effective response to the pandemic by adopting decisive and often unpopular actions. This case contributes to the body of evidence disputing the myth that autocratic states are more efficient in responding to pandemics.

The GoG demonstrated effective coordination and the ability to take "right actions at the right time prioritizing the right to health," which were supported by the general public and may serve as a summary explanation of why Georgia was able to retain a "containment edge" for the epidemic in the Spring 2020. Law-obedient, understanding, compassionate, and patriotic Georgian Citizen is the main actor who made this achievement possible and the same Georgian citizen "over relaxed" after initial success in containing the spread of the infection, generally tired from COVID-19 (a global phenomenon) and not sufficiently motivated/forced by the state to follow the rules and regulations, has been an important contributing factor in the COVID-19 outbreak by the end of 2020.

In the few weeks since the phase-out of some of the response measures, active cases continued to decline in Georgia, and no rapid or major increase in incidence has been observed in European countries or the UK. These most likely led to "over relaxation" and Georgia, as its neighbours and many counties in the region, lost vigilance when dealing with the novel coronavirus. The Georgia's case clearly shows the dangers of not balancing the political, economic and epidemiologic considerations, when insufficient risk communication, lack of enforcement of preventive measures due to largely political considerations have led to the dramatic worsening of the epidemiologic situation, which will be very difficult to contain and has already triggered additional economic hardships, as the GoG was obliged to reintroduce partial lockdown measures in large cities starting from the end of November. ^F

COVER STORY

GOGA MAISURADZE

GOGALAND

PARADISE ON EARTH

BY GIORGI ISAKADZE





his will be my first editorial in English. I would like to apologise in advance, as a personal narrative such as this is always filled with emotion. I have been at the helm of Forbes Georgia for the past five years. It often crosses my mind that to have a local version of the world's leading business publication in a country with such

a small economy is an excessive luxury. I then follow the routine of trying to develop a thankless media business through motivational stories that are part-legend, part-truth. Of course, these stories require constant verification. However, people in Georgia rarely look beyond headlines, let alone try to verify information. For that reason, whatever is interesting and in-demand, usually stays on the surface. As a result, our daily lives have become superficial. Most of our readers, me especially, are also superficial. Our objectives are simplistic and achieving them does not require particular effort. Superficiality has seemingly simplified our daily lives—we are stuck in a routine, we no longer set ourselves impossible tasks, and no longer have the ambition to solve impossible issues. To quote an old Soviet film, we have finally lost our adventurous spirit and stopped acting foolishly.

The other day I grabbed a dictionary of foreign words from my father's office in my parents' house. I always keep it in my office in Forbes Georgia. I wanted to check the meaning of the word adventurous. It confirmed the superficiality of my education. Adventure is a word of French origin, meaning that which happens by chance or fortune. I smiled. It made me remember under what circumstances people were starting their businesses 20, 25 or even 30 years ago in Georgia.

It was all part of one big adventure, if you discount the malignancy that led us to destroy the economy during the 1990s. The starting point for our independent economy was like Germany's at the start of its recovery in the late 1940s—namely, negative figures. Was it an adventure? Perhaps it was that, and more.

This is how we dragged ourselves into the 21st century, suffering losses along the way due to emotional decisions. At some point, we even managed to realise that we as Georgians are not special. Certain individuals started working hard within the new space and environment—without any apparent rules of the game, of course. A new generation of troublemakers and adventurers was taking over the business sector. Unlike the definition of an adventure, Google offers a far more diminutive interpretation of what an adventurer is.

However, let us forget about this topic, I do not intend to write about troublemakers and adventurers. I would like to tell you about someone whose words and deeds were an example on which others would build their behaviour, civility, families, friendships, partnerships, and general relations. People like him also set an example in business, and we must consistently write about them to ensure that future generations have something different and colourful to discuss. These people are the reason why we persist with publishing Forbes Georgia in a country with an \$18 billion economy whose combined exports are worth less than the exports of Dutch tomatoes or tulips alone. Our goal is to shine a light on exemplary people and tell the best stories about them. Generations that grow up on stories such as these—part-legend, part-truth—seek not only to emulate these exemplary people, but also to do something better and more advantageous. That is why I believe that there will always be a certain adventure surrounding Forbes Georgia, which will justify its existence in a country with such a poor economy.



Forbes Georgia: *Our goal is to shine a light on exemplary people and tell the best stories about them. Generations that grow up on stories such as these - part-legend, part-truth -seek not only to emulate these exemplary people, but also to do something better and more advantageous.*







In around fifteen years, Georgia will reach the status of a developed country that should publish a Forbes magazine - a country that can compile a ranking of millionaires and billionaires. However, only if we work tirelessly and set ourselves effective goals. We cannot steal from the budget, as that would mean stealing from ourselves. If we steal, then we will be justly punished, as attested by reliable people who are called judges.

I will not be writing too much about the hero of my editorial. That would be wrong. His countless friends, distinguished partners, relatives, and family members can relate much more about him. I was not friends with Goga Maisuradze. Before he passed away, I thought about him several times. We must have met each other on ten or twelve occasions, usually in the company of his closest friends, who are now mourning together with his family.

Did you know that the paradise on Earth that is Lopota did not even have an architectural design? Goga Maisuradze used his general vision to defy the sceptics and kick-start the project ten years ago. Did you know that he started the Lopota project with only \$3,000? Or that he spent two years building the first hotel, as he personally selected the decorating materials? Did you know that the godfather of 'Gogaland' (Lopota) is Gia Piradashvili who, just like numerous businessmen of the new generation, became enamoured with the "new" Kakheti (one that Goga Maisuradze helped create)? Did you know that there was no geographic place called Lopota ten years ago? Did you know that the Lopota story started with only seven rooms, and has grown into a large hotel that includes two hundred rooms? Did you know that banks would not even provide a loan for Lopota? One was finally issued three years after construction of the first hotel, when the first stream of tourists got going.

That is it, just a few snippets from Goga's story. He never had to cut down trees or desiccate lakes, but he did move mountains and let the whole world know about his project. First, it was his friends who fell in love with Kakheti, then the friends of friends, and finally, a whole generation turned Kakheti into a distinguished, modern, and chic location. Goga recruited young people for his team - 150 of them received training, learned how to smile and interact with guests and became an integral part of Gogaland. Out of nothing, he created a garden and turned it into a paradise. Out of nowhere, the world became aware of Lopota. He put Lopota, Kakheti and Georgia on the global map forever.

"An independent country is one with a strong economy, and one that can protect itself." That is how Goga Maisuradze defined his country's independence and development. From a generation of "troublemakers and adventurers", his was the most adventurous project of all. He was a true star among the new generation of post-Soviet entrepreneurs - an exemplary person and a proper businessman.

As I conclude this editorial, I have a smile on my face. I am watching Manana Manjgaladze's business programme, remembering stories told by Goga, and being reminded why Forbes Georgia, BMG and a strong business media must exist in this country. Goga once told me that he would have been a hundred times bolder if I had started the business media project at the same time as he started Lopota. He did have one project that preceded Lopota. It was related to agriculture, but I never got to ask him for further details. I will try to find out more about it, to add to the stories about the creator of victorious modern business in Georgia. **F**



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Forbes GEORGIA Life



FROM SEED TO SALE
AN INTERNATIONAL COMPANY YOU CAN TRUST

The international fresh fruit and vegetable market is growing steadily. According to statistics, only the global fruit trade has grown by as much as an average of 40% over the last ten years. The transportation of fresh fruit and vegetables requires thoroughness and unique conditions. This is always ensured by Rush Group who has 43 years of experience in producing and distributing fruit and vegetables. Rush's cutting-edge technology guarantees that all fruit and vegetables are delivered exactly as ordered. Founded in the United Kingdom, Rush group operates in dozens of countries and seven global regions. One of them is the Middle East, where the company is operated by Georgian **Tamara Machavariani**. Forbes Georgia interviewed Tamara about the company's plans in Georgia.

BY TAMTA JIJAVADZE

Tamara, to begin with, tell us about the business model of Rush Group?

First, it is important to mention that in the UAE, Rush Global FZCO specializes in the distribution of fresh foodstuff to multiple channels including retail, wholesale, food service and HORECA. But on a group level, Rush operates in business areas such as growing produce, trading and distribution. We are able to run a fast-growing business through our growing number of employees, large storage facilities and several trucks that enable us to reach and serve our client base as quickly and as effectively as possible. I believe that Rush Group's ability to supply clients with a continual supply of fresh produce throughout the year is the main reason for companies and individuals choosing Rush. We are a reliable source of fruit and vegetables

on a global level, all year round.

Tell us about the company's main figures. Revenue, number of customers, and number of fruit and vegetables produced.

Rush Group UK and its subsidiaries in Poland, Portugal, Hungary, Malaysia and the UAE, trade with over 200 companies globally. Our wholesale market overseas includes Rotterdam, Warsaw, and Budapest, which are separate to our local markets in the UAE and the UK. We offer our customers a wide variety of fruit and vegetables with over 100+ items that generate an annual turnover of £45 million (\$62 million). The numbers are quite impressive, but we are not going to stop, we are a growing company.

You have started to cooperate with the



Georgian company 'Geo Agro Export' to export fruit and vegetables from Georgia to the Middle East and Gulf region. What are your plans in this regard?

Our main goal is to increase the market share of Georgian products within the UAE and GCC region by reaching out to more growers that can provide us with quality produce at competitive prices. We believe that the Georgian agricultural market has a lot of untapped potential that we can explore.

What can Rush Group offer to Georgian producers?

With many years of experience both in the UAE and on an international scale, Rush can offer producers great insights with regards to market-specific requirements in areas such as quality, packaging, and specifications. We are also keen on helping growers attain updated knowledge in industry practices and legal outlook through trainings and seminars.

If Georgian producers wish to export their



fruit and vegetable to European markets, they need to meet European standards. How hard is it to meet Middle Eastern and Gulf standards?

The UAE and other GCC countries pride themselves in being up-and-coming hotspots for attracting visitors and many investors, which reflects in the quality of services being delivered in all business sectors. This directly impacts the quality that we are expected to deliver in terms of our products being distributed in the local and regional market. Growers will have to follow strict procedures to meet the region's import requirements as well as product quality and packaging.

Nevertheless, the region offers an attractive business environment in terms of legal protection, international trading standard compliance, and logistical convenience. Products can enter the region either by road, sea or air transport.

What products might be in demand in these regions? What can Georgian producers focus on?

As the region does not meet the natural criteria to grow its own produce in volume due to weather, landscape and resources, the UAE and GCC require a lot of fresh fruit and vegetables to be imported to meet the demands of its consumers.

Some of the most in-demand items in the region includes varieties of apples, citruses, potatoes and onions among many others. Rush Global is keen on collaborating with Georgian producers in order to help them grow products that will meet EMEA area requirements as we have experienced agronomists in our group.

Supply chains suffered, transportation and export-import was delayed in a number of countries because of the global pandemic. How has the crisis affected your company?

The entire sector has suffered due to delayed shipments as a result of travel restrictions and closed borders. Regulations kept changing on a regular basis at the peak of the pandemic, which required us to adapt very quickly. At this time, we decided that we needed to have a larger office and more manpower to operate efficiently. In June 2020, we opened our new facility in the Fresh Market in Ras Al Khor and employed more people to sustain our increasing operation. Despite the pandemic, the company was able to open more customer accounts in the retail channel and we can say that we have prospered during this time.

Tell us a little about yourself. How did you get to be in Dubai and start working for Rush Group?

I came to Dubai in 2011 as a tourist. The moment I arrived; I knew I never wanted to go back after considering all the opportunities this city could bring to my career. The UAE opens a lot of doors for expats and I believe I came at the right time. There were a lot of ups and downs, but I got lucky and took all the chances that came my way. There were a lot of failures that I learned from, which in turn fueled my passion and ambition to succeed.

In 2015, I made a career move that would define my place in the market. I joined one of the country's biggest names in the fresh fruit and vegetable industry, which boosted my experience and knowledge in the field. I managed to meet a lot of international suppliers from all corners of the globe by attending major indus-

try exhibitions both locally and overseas.

As I grew into my profession, I joined Rush Global FZCO in 2018 as a trader without a physical office or any staff in Dubai. I started building the company from scratch with the help of Rush Group, and that brought us to our present standing.

As the COO of Rush Group in Dubai and the Middle East, what challenges do you see in the global supply of fresh produce?

In my experience, I believe that one of the challenges we may face going forward is the ever-growing volume of demand. At the same time, there are many growers around the world that make the field extremely competitive and it impacts the market. There are also many products that can become over supplied, which can dramatically affect the profitability of many businesses.

Many say that Georgia is the crossroad from Europe to Asia and from north to south. What steps should we take to use the opportunities we have because of our geographic location?

Georgia is strategically located in a competitive geographic location, which increases its competitiveness with its European and Asian counterparts in terms of agriculture. I believe that the government should focus on creating opportunities for local producers, such as incentivizing this industry to help local businesses, which will create more jobs for Georgians whilst also increasing GDP.

An area that Georgia can focus on is its infrastructure - roads, ports, and irrigation systems - all of which will help businesses to expand and attract investors.

The local government can also support the expansion of existing businesses by collaborating to create a workable ecosystem that allows for resources to be made available; including post-harvest handling technologies, grading and sorting machinery, packing facilities and temperature controlled cold stores or warehouses. **S**

THE HAIR TRANSPLANT EXPERT

The introduction of innovative hair transplants in Georgia is associated with the name of Dea Papaskiri. A plastic surgeon by profession, she used her fifteen years of experience in the field to establish the DeaMed clinic in 2018. The team of highly qualified doctors at the clinic offer customers hair transplant services using the latest technology available.

AUTHOR: TAMTA JIJAVADZE
PHOTO: KHATUNA KHUTSISHVILI

Let us start with some figures. How big is the demand for hair transplantation in Georgia, and who are your main customers in terms of gender and age?

Hair transplantation is becoming more and more popular each year. Our male customers significantly outnumber women by three to one. As for the age groups, people are becoming affected by androgenetic alopecia from an increasingly younger age. Consequently, we are being contacted by customers as young as twenty. Most of our clients are men in the twenty-five to fifty-five age group. However, we also have patients above sixty-five years of age.

You have worked in this industry in Georgia for the past eighteen years. How has hair transplantation methodology developed over this period, and at what stage of development do we currently find ourselves in?

I started working in the hair transplantation industry in 2003 in Moscow, before returning to Georgia in 2005. Naturally, eighteen years is a long time in medicine. There have been numerous developments in the industry over this period. Technology has improved considerably. I regularly participate in various international conferences and make sure that the latest technology is implemented at our clinic. In 2019, I attended the 19th congress of the International Society of Hair Restoration Surgery (ISHRS) in Bangkok, where global experts and other attendees unanimously rec-







ognized the Trivellini system of follicular unit extraction (FUE) as the leading hair transplantation technique. We imported this technique to Georgia and implemented it at DeaMed. We can, therefore, confidently say that Georgia is one of the leaders with regards to hair transplantation technology.

Comfort is no longer enough for patients. Nowadays they are looking for quick high-quality results. How confident can your potential clients be that DeaMed will deliver the desired outcome?

You are right! A clinic can be comfortable but lacking in modern technology and qualified personnel. Ideally, a clinic should offer all three – a comfortable environment, the latest technology, and highly competent staff. DeaMed aims to improve people's quality of life. As a result, we work tirelessly to provide our patients with the most effective and safe treatments, ensuring successful operations, guaranteed results, and customer satisfaction.

What do people who wish to get a hair transplant need to know? For example, how painful is the procedure, and how long does the recovery process take?

Hair transplantation is a minimally invasive surgical procedure that removes hair follicles from the back of the head to balding parts. Only a person's own hair can be used. The surgical procedure typically

takes 4-5 hours, whereby the patient is free to take a small break in-between. Local anesthesia is used, and the whole procedure is painless. Patients can return to their normal lifestyle two or three days after surgery. The recovery period is typically four to five days, during which time red marks are visible on the scalp, before disappearing completely.

In which scenario can a hair transplant be unsuccessful? What do people need to consider after surgery?

The surgery will be successful if the patient's condition is accurately assessed and correctly diagnosed, the surgery is carefully planned and performed by a qualified plastic surgeon using correctly chosen modern techniques.

A hair transplant is permanent, as the follicles are obtained from areas of constant hair growth that are not affected by androgens. The hair grows normally and does not require special care. Patients must wash their hair daily during the first month after surgery. If the patient is young and has weak hair in other areas of the head, we recommend that these areas are reinforced to prevent future hair loss and the need for another transplant.

Can hair transplantation also be used to restore eyebrows, beard,



and other areas apart from the scalp?

Hair transplantation is the only effective treatment in the following cases: androgenetic alopecia, or hair loss, which can affect both males and females; to fill in scars caused by surgery or burns; and to restore eyebrows, eyelashes, beard, or moustache hair. Restoration of eyebrows among women and beards among men has become popular in recent years.

The shape of eyebrows can be damaged by accidents, burns, surgery, by genetic factors, low-quality dye, due to stress, and so on. In this case, an eyebrow transplant represents the ideal solution.

At first, eyebrow transplants were only carried out to restore fully or partially damaged eyebrows. Nowadays, women can change the shape, thickness, or even the location of their eyebrows.

Compared to other countries in our region and to European countries, the cost of cosmetic surgery in Georgia is quite low. How expensive is hair transplantation in Georgia, and is there demand from abroad?

Hair transplantation is generally quite expensive, especially in Europe. However, high prices do not always guarantee good quality. The

cost of a hair transplant in Georgia starts from 1,500 for local citizens, while the average cost is usually approximately €3,500. Everything depends on the number of transplanted follicles and the extent of the problem area.

I can honestly say that patients in Georgia receive better service than in many developed countries, even though the prices at our clinic are considerably lower than abroad. That is why many foreign nationals come to DeaMed for surgery. They know that they will receive world class treatment with guaranteed results at an affordable cost.

Finally, could you describe the impact of the pandemic on your clinic? Did you manage to operate normally?

The pandemic has caused incalculable human, social, material, and economic damage to people. Nevertheless, our clinic continued to operate without any major interruption - naturally, in line with all the existing regulations. Our patients' safety must be and is our top priority. As most people were working remotely during the pandemic, they had more free time. Resultantly, those who previously could not find time for a hair transplant managed to do so. Working remotely created additional comfort for our patients, as they could spend the entire five-to-seven-day recovery period at home. Additionally, our clinic offered services at special reduced rates during the pandemic, allowing even more clients to fulfil their dream. **S**

Dea Papaskiri established a specialist hair transplantation department in a clinic with Aleksii Makharashvili in Moscow in 2003, which is still operating today.

In 2004, she began training personnel in Georgia. Within eight months, she managed to assemble a highly qualified team of doctors and nurses, allowing her to establish Hairline International, where she was head surgeon until 2018. Afterwards, she founded the DeaMed clinic.

Dea Papaskiri has been a member of the International Society of Hair Restoration Surgery since 2009. In 2010, she completed her PhD thesis on the subject of Surgical Treatment of Patients with Scar Defects on the Hairy Area of the Head, demonstrating that hair can be implanted into scar tissue, and will not only restore hair growth, but also improve the structure of the tissue. Prior to the publication of her thesis, it was widely believed that hair transplantation on scar tissue was not possible.



ECONOMICS

SHOTA TKESHELASHVILI - DEVELOPMENT STRATEGY

THE GEORGIAN ECONOMY OVER THE PAST EIGHT YEARS

2021 BEGAN WITH SIGNIFICANT CHANGES IN GEORGIA, as the country's former prime minister and richest citizen Bidzina Ivanishvili announced his decision to withdraw from politics, leaving the governing Georgian Dream party without his formal leadership for the second time. Whether or not Ivanishvili will once again return to his party in the future remains to be seen. Until then, let's examine the path taken by the Georgian economy during the past eight years, as it sometimes followed a clear vision, and at other times simply went with the flow.

In the last eight years, Georgia had to deal with two economic crises. First came the 2014-2015 regional monetary crisis, which halted the country's economic growth. Reduction in exports and other cash inflows led to the devaluation of the national currency. Tens of thousands of people who had taken out loans in foreign currency saw the cost of loan repayments go up.

As the lari continued to depreciate, the government established the 'larization' programme and offered subsidies for borrowers to switch currencies.

The regional crisis continued to impact economic growth up until 2016. Although growth figures became healthier, the exchange rate never reached pre-crisis figures, and the currency

continued to gradually depreciate in 2017, 2018, and 2019. The government actively pursued a 'de-dollarization' policy during this period. As a result, foreign currency loans became limited, and all loans up to 200,000 could only be issued in local currency.

Despite the devaluation of the national currency, Georgia achieved average annual growth of 4.9% in the period 2017-2019, which was the country's best three-year result under the Georgian Dream government.

Economic development was helped by growth in international tourism and several large infrastructural projects. However, the COVID-19 pandemic brought a new reality to Georgia and the rest of the world in 2020. Georgia closed the year with a 6.1% decline. The IMF predicts the economy to recover by 4.3% in 2021, meaning that Georgia will be unable to reach the 2019 level of economic activity by the end of this year.

HAVE THERE BEEN ANY SIGNIFICANT CHANGES IN PER-CAPITA GDP FIGURES IN GEORGIA DURING THE PAST EIGHT YEARS?

There was no major breakthrough - although the economic



growth figures posted by Georgia during the last eight years raised the average income of our citizens, the overall economic picture has not changed significantly. Relative to other countries, the figures have largely remained the same: Georgia was ahead of Armenia in terms of GDP per capita in 2012, and this was still the case in 2020. However, we are still lagging far behind even the poorest EU member states.

Moreover, the currency crisis further obscured Georgia's economic results from the last eight years, as can be seen from GDP figures in USD. According to IMF data, Georgia's GDP per capita was \$4,409

in 2012 and reached its peak in 2014 (\$4,742). As a result of the devaluation of the national currency, the figure decreased to \$4,017, before rebounding to \$4,765 in 2019. However, the 2020 recession forced another drop. The GDP per capita figure currently stands at \$4,405, which is almost the same as in 2012.

However, GDP figures in USD do not reveal the full picture. The IMF uses an approach based on purchasing power parity (PPP), which provides a better opportunity to compare per-capita GDP figures from various countries. In this case, Georgia's GDP per capita is \$15,142, compared to

\$9,798 in 2012.

Nevertheless, the World Bank uses GDP in USD, rather than PPP dollars to group the countries based on their income. Georgia is currently in the upper middle-income group of countries - whose GDP per capita is at least \$4,046.

UNEMPLOYMENT AND THE AVERAGE WAGE

Unemployment has long been regarded as the number one economic problem in Georgia. When we talk about unemployment statistics, it normally makes sense to take official figures at face value.



However, outdated calculation methods ensured that Georgia's official unemployment figures were detached from reality. A new methodology was implemented in December 2020, which does not automatically count people living in rural areas and growing produce for themselves as self-employed. Prior to the introduction of the new methodology, the official unemployment figure stood at 11.6%, but has now been revised to 17.6%. Past figures were also re-evaluated, revealing that the 2012 unemployment figure was 26.7%, rather than 17.2%.

Revised statistics still show that unemployment affects the 15-24 age group the most. 27.8% of 15-24-year-olds and 21.3% of 25-34-year-olds are currently unemployed.

The number of people employed in the business sector increased by 222,000 between 2012 and 2019 to a total of 756,000. In 2020, the figure decreased by 100,000.

The commercial sector accounted for the largest increase in employment during the aforementioned eight-year period, creating 96,000 new jobs (30,000 decrease in 2020). The restaurant and hospitality sector employed 48,000 people in 2019, which is 21,000 more than 2012. Unfortunately, this figure decreased by 18,000 in 2020.

Since 2012, the number of jobs in the private healthcare sector increased by 25,000, and the number of jobs in the construction sector by 11,000.

The average monthly salary increased by 58% between 2012 and 2019, from €712 to €1,129. However, average salaries in the healthcare and education sectors still fall below the national average. The average wage in the education sector is €798, while the average salary for healthcare is €1,036.

GEORGIA'S CREDIT RATING – A STEP FORWARD

The country's sovereign rating determines the risk premiums imposed by international financial institutions and investors on the local economy. A lower rating means less investment and more expensive foreign capital, which, in turn, raises the price of credit in the country.

Georgia's risk level is assessed by international rating companies, who determine the country's credit score by adding together different factors. Georgia's rating remained unchanged from 2012 until 2017, when Moody's upgraded it to Ba2. This was followed by Fitch in 2018 and by S&P in 2019, who both upgraded the sovereign rating of Georgia to BB.

The rating assessment holds that the development of the Georgian financial system and the country's sustainable microeconomic environment have both lowered the risks associated with Georgia. Naturally, these changes have a positive effect on the country's international image.

However, Georgia still remains two steps short of achieving an 'investment rating'. Considering that it took the country seven years to climb one rung of the ladder, we can presume that Georgia will find it extremely difficult to further improve its score in less than ten years.

Both Fitch and S&P have noted that Georgia's credit rating will only improve if, among other factors, the country's GDP per capita improves. Thus, the foremost prerequisite for achieving higher credit rating is economic growth.

BUDGET PRIORITIES

Georgia's budgetary policies changed significantly when Georgian Dream came to power. The share of social spending within total government expenditure went up, and subsidy programmes were expanded. Initially, most of these programmes were directed towards agriculture, before expanding to other sectors through the Enterprise Georgia project. State administration and bureaucratic costs also increased. The financial statements of the Ministry of Finance of Georgia show that part-time staff salaries alone increased from €99 million in 2012 to over €240 million in 2020. Full-time staff salaries increased from €600 million to €1.6 billion (excluding bonuses) during the same period.

In terms of individual sectors, the largest sums are spent on healthcare and social security each year. The 2021 pension reform has introduced an indexation formula which ensures that pensions will increase by at least €20 each year. This change is designed to detach the issue of pension increases from pre-election campaigns. At present, the basic monthly pension is €240, which is €115 more than in 2012. However, its purchasing power in USD has remained virtually unchanged.

Regarding healthcare, chief among the recent reforms was the universal healthcare

programme, which provided state subsidies for certain hospital services to all citizens who have no private health insurance. This programme aims to reduce the catastrophic costs of healthcare borne by Georgian citizens. To optimize costs, the government introduced certain changes in the programme in 2017, removing the universal component. Nevertheless, annual results for each year between 2015 and 2020 show that the government is struggling to control expenses associated with this programme, going over its annual budget on a regular basis. For example, government spending on the programme last year amounted to €948 million, which is €146 million more than initially planned.

The second-largest budget after healthcare has been commanded by the Ministry of Infrastructure for quite some time already. The single most expensive project is the construction of the main East-West Highway, which has cost €4 billion during the 2012-2020 period, and will require at least the same amount by the time of its planned completion in 2025.

Apart from the main highway, the most significant state project was the Anaklia Deep Sea Port, which was frozen and mothballed in early 2020, when the government tore up the contract with the Anaklia Development Consortium. Investors went on to appeal this decision via the International Court of Arbitration. The government claims that it is working on a new feasibility study and new tenders for the project, but the programme section of the 2021 State Budget states that the project is unlikely to attract reputable investors after what has happened, and the prospects for a successful tender process are bleak.

STATE DEBT

The legal limit has been exceeded - according to the explanation note on the 2021 State Budget, Georgia's debt will be

60.1% of GDP this year, thereby exceeding the limit set by the Organic Law on Economic Freedom. The government has promised to reduce both the deficit and state debt over the next three years.

Foreign debt will once again constitute the main source of funding for increased budget spending in 2021. The government plans to borrow an additional €5.27 billion this year, of which €1.45 billion will be directed towards infrastructural investment projects, €2.17 billion will be spent on budget support loans, while €1.65 billion will be used to refinance Eurobonds worth \$500 million.

The plan is to have no internal debt this year, which is presumably designed to avoid a further increase in the overall debt figures. In 2020, the government borrowed an additional €2 billion domestically, bringing the total government debt figure to €30.8 billion, of which €24.7 billion (\$7.5 billion) is external debt, and €6.14 billion is internal debt.

According to the debt analysis document attached to the State Budget, if the national currency suffers another shock this year and depreciates by 30%, the volume of state debt will exceed 75% of the country's GDP.

The sharp increase in Georgia's state debt in recent years is tied both to new investment loans and the devaluation of the local currency. Debt grew by an additional €8 billion in 2020 due to the pandemic.

In comparison, in 2012 the total state debt was only €9.1 billion, or 34% of GDP. By 2021, overall debt trebled, while the level of debt relative to GDP nearly doubled.

The most urgent and acute challenge facing Georgia right now is to recover the tens of thousands of jobs that were lost during the economic crisis. Otherwise, any progress achieved with regards to reducing poverty and unemployment in recent years will be consigned to history. **F**



ECONOMICS

GELA BARSHOVI - CURRENT EVENTS

TAX INCENTIVES IN GEORGIA FOR IT COMPANIES HOLDING THE STATUS OF A “VIRTUAL ZONE PERSON” OR AN “INTERNATIONAL COMPANY.” WHICH ONE IS BETTER AND WHY?



THE REPUBLIC OF GEORGIA offers multiple tax benefits to IT firms registered in Georgia who provide services abroad. In particular, IT companies in Georgia holding the status of a “Virtual Zone Person” (VZP) or the status of an “International Company” (IC) can enjoy various tax incentives.

Based on my experience and knowledge of the Georgian tax legislation, I will briefly explain the pros and cons of VZP and IC statuses, as well as compare them to each other in this article.

“VIRTUAL ZONE PERSON(VZP)”

An IT firm in Georgia, with a VZP certificate can enjoy full exemption from corporate income tax (CIT) on specific types of IT activities performed from Georgia for foreign customers. It is a highly beneficial tax exemption; however, it is not as straightforward as many people (including some accountants) think.

I have highlighted the words “specific types of IT activities” above, as VZP status DOESNOT apply to all

types of IT services. Moreover, tax exemption does not apply to all IT firms holding a VZP certificate.

There is a misconception among some entrepreneurs and tax professionals that VZP exemption applies to any type of IT services being provided abroad from Georgia. This view is not entirely correct. In fact, there is an important precondition for qualifying under VZP status, and even if VZP status is obtained, it is not a guarantee of being exempt from CIT.

The precondition for qualifying under VZP status is performing IT activities from Georgia to foreign clients where software products (e.g., software, mobile applications, etc.) are created.

As already mentioned, the above is the precondition for granting VZP status, which, from my point of view, eliminates quite a long list of IT services. Besides, even if an IT firm obtains VZP status from Georgian authorities, it is still not a guarantee of tax exemption (see the citation of the exemption clause below).

In other words, if the IT service performed by a VZP

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does not create applications, software, or other IT products, then such services do not qualify under the VZP exemption. For example, if your IT company provides website maintenance or other IT support services, or a company already owns a software/mobile application and receives a subscription fee, it is unlikely that this company can qualify for the tax exemption offered to VZP companies (VZP status may still be obtained though).

The IT firm in the example above might have problems obtaining status of a VZP, but even if VZP status is obtained (it is easier than the exemption), the problem of

qualifying for tax exemption might remain unsolved.

THE CITATION OF THE DEFINITION OF VZP (ARTICLE 8 OF THE GEORGIAN TAX CODE):

“A virtual zone person - a legal person engaged in IT activities and holding an appropriate status.

Information Technologies (IT) - studying, supporting, developing, designing, producing, and introducing computer information systems, as a result of which software products are obtained (created).”

VZP TAX EXEMPTION CLAUSE (ARTICLE 99 OF THE GEORGIAN TAX CODE)

“Profit (distribution of profit) earned from the supply of information technologies (IT-defined above) outside Georgia developed by a legal entity of a virtual zone;”

You see that the definition of “IT” according to the Georgian tax law is narrowed to the activity of creating software products (even here some additional questions exist e.g., does involvement in the creation of software suffice?). Moreover,

Taxation of “International Companies” vs. Taxation of “Virtual Zone Persons”

In the table below you can find a brief comparison between taxation of the statuses discussed:

“VIRTUAL ZONE PERSONS” AND “INTERNATIONAL COMPANIES”		
Criteria	VZPs	ICs
Corporate Income tax	0%	5%
Wage Tax	20%	5%
Dividend Tax	5%	0%
Property Tax	up to 1%	0%
Additional tax benefits	No	Yes
Preconditions of demonstrating two years’ experience	Factually no/not strictly	Yes (factually and by the law)
Obligation of demonstrating business substance	Not strictly for taxation purposes, mostly for banks	Yes
List of IT services qualified under the exemption	No list is provided/ there is low certainty of the VZP definition and the exemption clauses, some preconditions, bigger room for interpretation	Quite a broad list of qualified IT services and higher clarity
IT service should be provided abroad	Yes, determined by the law	Not clearly defined by law but limitation applies in practice

Please Note: VAT application (18%) is not linked to any above-mentioned status. In general, VAT should not apply to IT services provided by either VZPs or ICs from Georgia to foreign clients, especially after 2021 (still, each case requires an individual analysis, especially before 2021).

following the clause of tax exemption of VZPs, the supply of IT developed by VZP is exempt, which does not seem correct to me. In addition, there are other mismatches between different clauses regarding VZP (in the Georgian Tax Code and other laws of Georgia regarding VZPs).

It is not fully clear whether lawmakers intended to provide tax exemption only on profit received from the service of creating software in Georgia. Nevertheless, intentionally or unintentionally, they set the important precondition in the definition and not all IT services are exempt.

Considering all the above, in my opinion, enjoying VZP exemption without a preliminary analysis might be associ-

ated with material tax risks. The tax risk exists until at least the tax administration publishes an instruction making all vague wording clear, until the wording is changed or until the advance tax ruling is obtained on that issue by the taxpayer.

On the other hand, a tax inspection might not be initiated in your company for a very long time and even if one is initiated, tax inspectors might not pay attention to the details of what the VZP company actually does. However, in my opinion, this low probability should not be a reason for disregarding existing tax risks. This is what I always recommend to my clients (not to rely on the probability of never having a tax inspection), but as ever

the last decision is always the business owners’.

To obtain almost full tax certainty regarding Virtual Zone Person’s tax exemption, in some cases (e.g., if the risk is relatively high and if the turnover of VZP is medium-high) the best way to proceed is applying for an advance tax ruling issued by Georgia’s Revenue Service (GRS), which is a legally binding document for the Georgian tax administration - thereby providing high tax certainty.

Lastly, it is important to note that if you obtain the status of a VZP, no one from the tax administration will immediately come to you and say that you are not qualified for tax exemption in Georgia. You will

Notably, the following ordinary tax rates are applicable in Georgia:

Tax	Ordinary Rate	Period
Corporate Income tax	15%	Monthly declaration (payable in case of distribution of a dividend)
Wage Tax	20%	Monthly declaration
Dividend Tax	5%	Monthly declaration
Property tax	up to 1%	Annual declaration

know exactly whether you qualify for an exemption only if a tax inspection is initiated by the audit department (where I worked for more than seven years) or in case of an advance tax ruling being issued by the GRS for your firm. I am referring to cases when development of software products is not obvious, for other cases a proper analysis might suffice.

Georgian tax authorities have started requesting information from VZPs regarding total income and the amount of exempt profit due to the VZP clause. It seems they are starting to pay more attention to this topic.

“INTERNATIONAL COMPANIES (IC)”

Tax benefits applicable for Georgian entities with the status of “International company” are relatively new in the Georgian tax legislation. This status applies to IT and shipping companies and to a quite long list of IT services (that differ from “Virtual Zone Persons”).

The status and tax benefits of “International companies” apply to much more IT services than in the case of “Virtual Zone Persons”. Besides, it is much clearer which IT activities qualify under the incentives granted for ICs (the list of IT activities qualifying under IC status are provided by the law, sometimes together with NACE codes of such business activities). There-

fore, higher clarity is provided by the law regarding ICs than regarding VZPs.

Tax incentives applicable for “International companies”:

- 5% corporate income tax (instead of 15%);
- 0% dividend tax (instead of 5%);
- 5% wage tax (instead of 20%);
- 0% property tax for assets used in activities performed under “an international company” status (instead of about 1%);
- The possibility to further decrease corporate income tax by taking into account salaries paid to Georgian resident employees and for R&D expenses.

As I have already noted, benefits for “International companies” are applicable to more types of IT services when compared to VZPs. There is much more clarity as well as multiple tax incentives and exemptions for ICs, while VZPs are exempt only from corporate income tax.

Conversely, if a company plans to obtain the status of an international company, it should demonstrate at least two years’ experience in IT (experience of a parent company might suffice). In addition, business substance in Georgia (actual expenses accrued, staff hired, offices rented, and so on) should be demonstrated. These requirements do not apply to the law for “Virtual Zone Persons”.

Please be aware that a status provided by the Georgia Revenue Service (e.g., “VZP”, “Small Business”, “International Company”, or being registered in the “Free Industrial Zone”) is not a full guarantee of tax exemption. Certificates of VZP, IC and other special statuses are not binding by law for Georgian tax authorities. Obtaining the status is relatively easy than actually being qualified under the exemption. So, enjoy the tax benefits, but please do it only after a proper and thorough tax analysis of your case.

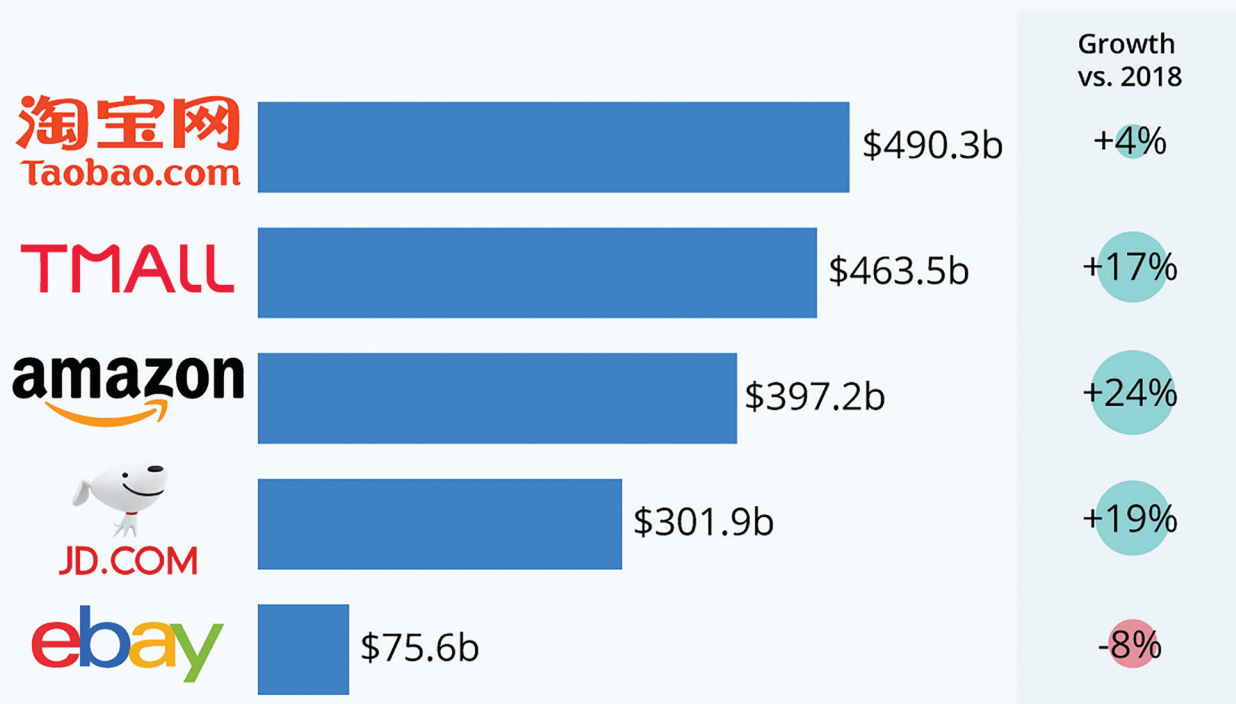
CONCLUSION

Georgian IT firms can either obtain the status of “Virtual Zone Person” or the status of an “International Company”. In both cases, highly beneficial tax benefits apply, however, there are several differences between the two statuses.

The most important difference is that less types of IT services qualify under VZP exemption than under the “International Company” exemptions. Besides, IC is characterized with a higher tax certainty compared to VZPs. Having said this, it is more complicated to receive the status of an “International Company” than to be granted a certificate of VZP, because the former requires two years of experience and business substance in Georgia. Importantly, different tax rates apply for the two statuses. **F**

The World's Largest Online Marketplaces

Estimated gross merchandise volume of the largest online marketplaces in 2019*



* GMV is defined as the sum of sales generated by a specific marketplace by both first- and third-party sellers across all brand domains. Estimates modelled based on company filings and data from secondary sources.

Source: eCommerceDB



THINKING ABOUT ONLINE MARKETPLACES, Amazon and eBay spring to the minds of most Americans and Europeans. And yet, they're only ranked third and fifth in the world in terms of gross merchandise volume.

According to estimates from Statista's eCommerceDB, a database profiling more than 20,000 online stores worldwide, Chinese Taobao and Tmall, both owned and operated by Alibaba, are the world's largest online marketplaces, with GMVs of \$490 billion and \$464 billion, respectively, in 2019. Amazon ranks third with an estimated GMV of \$397, with another Chinese platform, JD.com, and eBay completing the top five.