

ENGLISH ISSUE - JUNE 2021

# Forbes

GEORGIA



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PRE-SHAVE AND BEARD OIL

SOOTHING BEARD GEL

AFTER SHAVE AND MOISTURIZING CREAM

# CONTENTS

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# Forbes<sup>GEORGIA</sup>



*p. 50*

## LEADERBOARD

- 8** 2020 Rating of Insurance Companies
- 12** The World's Top 50 Influencers Across Social Media Platforms

- 16** The World's Top Countries for Military Spending

## THOUGHT LEADERS

- 20** Inflation Risk  
*by Rainer Michael Preiss*



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# CONTENTS

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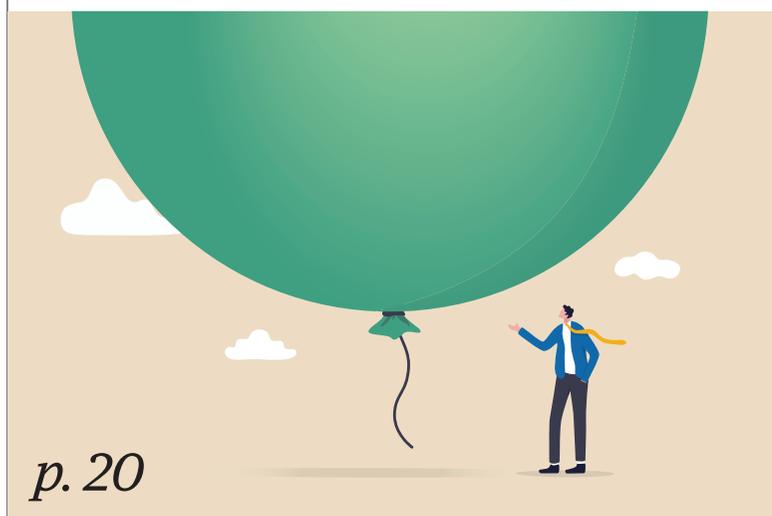
- 22** All the Best, Mr. Hudak!  
*by Elene Kvanchilashvili*
- 24** Georgia On the Road to Green and Resilient Growth  
*by Sebastian Molineus*
- 26** "The First Startup Exit"  
What Does it Mean for Georgia?  
*by Colin Donohue*

## RATINGS

- 34** GEORGIAN BILLIONAIRES
- 40** A BILLIONAIRE A DAY
- 46** HOW THE GATES' SPLIT COULD STACK UP AGAINST THE BIGGEST BILLIONAIRE DIVORCES

### COVER STORY

- 50** Hi-Tech Problem Solvers  
*by Elene Chomakhidze*



# more inside

A range of specific yet versatile products that can be used on their own or mixed and layered together. Each product provides hydration to hair, ensuring a long-lasting effect.



# CONTENTS

Forbes English #21 // June 2021

## CEO

- 56** The Three Principles  
*by Elene Kvanchilashvili*

## MANAGEMENT

- 64** When the Market Leader is Your Partner  
*by Elene Kvanchilashvili*

- 72** Simon Sinek Tells You How to Find the Treasure Hidden in Your Company  
*by Sami Cohen*

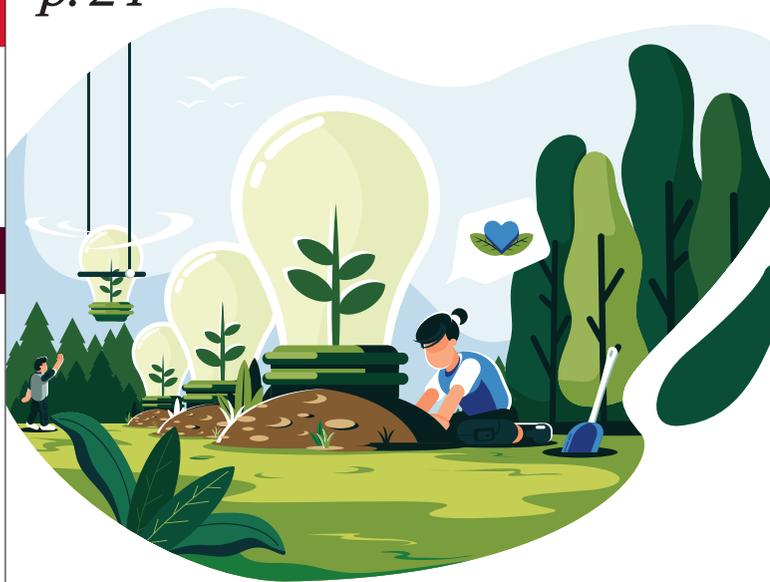
## INTERVIEW

- 76** 25 Years in the Legal Business  
*by Elene Chomakhidze*

*p. 56*



*p. 24*



## ECONOMICS

- 80** How Do We Stabilize Georgian Lari  
*by Beso Namchavadze*

- 82** US Inflation: Set for Take-off?  
*by Laurence Ball, Gita Gopinath, Daniel Leigh, Prachi Mishra, Antonio Spilimbergo*

- 86** Georgian Tax Residency  
*by Gela Barshovi*

- 88** Bitcoin Electricity Consumption

# CONTENTS

Forbes English #21 // June 2021

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Forbes Georgia is published by  
Media Partners JSC

**Publisher:** Maia Mirijanashvili

**Advertising and Marketing:** Leli Mirijanashvili

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# LeaderBoard

# 2020 Rating of Insurance Companies

BY SHOTA TKESHELASHVILI

**D**espite the 2020 economic crisis, the Georgian insurance market managed to grow. During the past year, the eighteen insurance companies operating in Georgia collected a total of GEL 667 million in premiums, representing a year-on-year increase of GEL 42.3 million, or 7%. The sector registered a net profit of GEL 47.6 million, representing an increase of 89% compared to 2019.

In terms of individual segments, health insurance remains the most lucrative area of the insurance sector. Health insurance companies collected a total of GEL 267.6 million in premiums, exceeding the 2019 figure by GEL 33.6 million. As of 31st December 2020, 17% of the Georgian population (620,000 people) had private health insurance. The average monthly health insurance premium paid by consumers or their employers in 2020 was GEL 36.

Car insurance is the second-largest segment, accounting for

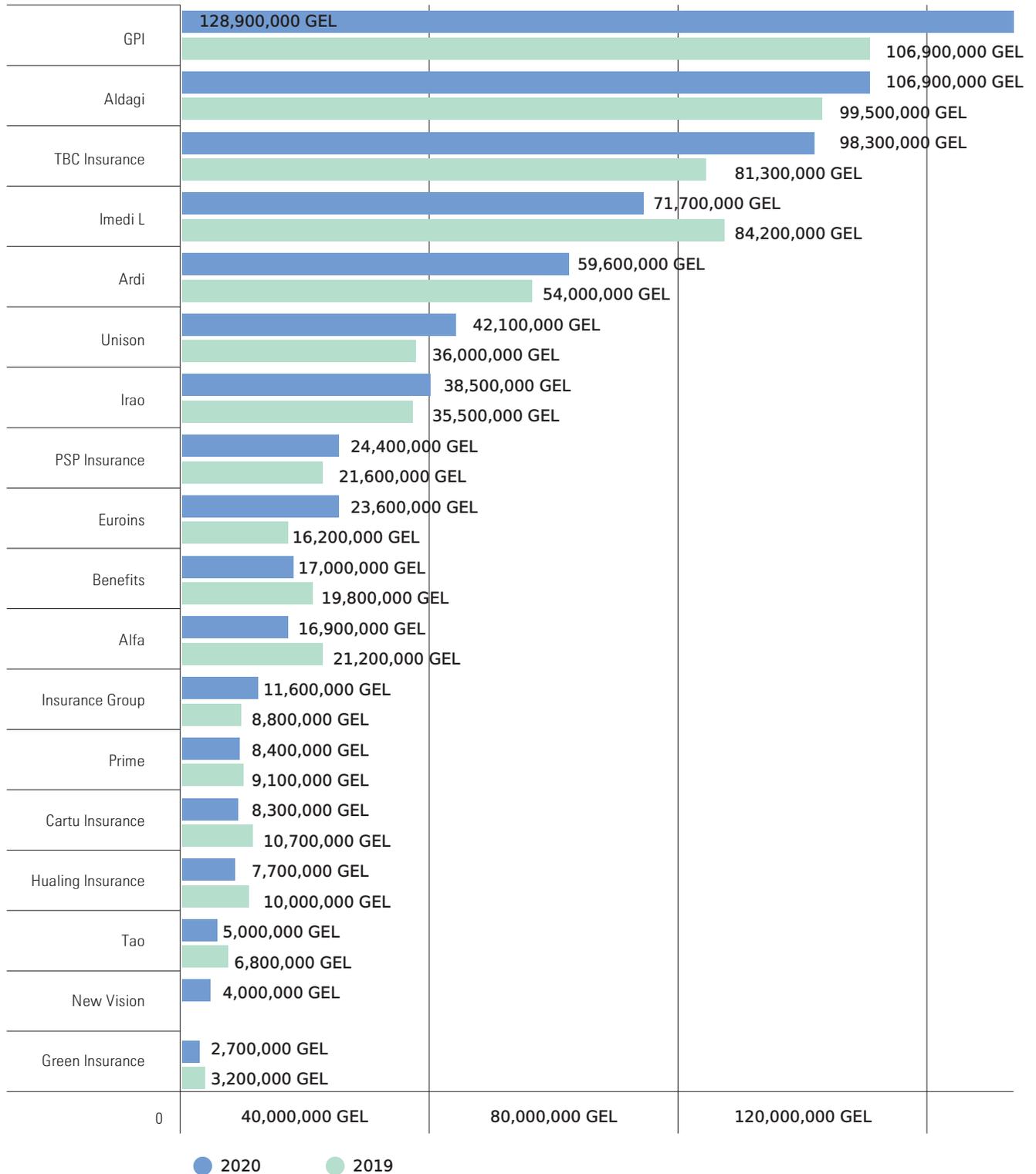
GEL 116.7 million in premiums. This represents an increase of GEL 4.6 million compared to 2019. As of 31st December 2020, there were 93,000 insured vehicles in Georgia, meaning that only 6% of the total car fleet is insured. The average monthly insurance premium is GEL 104 per vehicle. The third-largest segment is property insurance, with companies collecting GEL 108 million in premiums. The property insurance segment grew by GEL 19.8 million in 2020.

In 2020, GPI Holding held the leading position among the eighteen insurance companies operating in Georgia with GEL 128.9 million in collected premiums. Second place was held by Aldagi with GEL 106.9 million, and third place was held by TBC Insurance with GEL 89.3 million in collected premiums. According to their financial statements, half of the insurance companies registered growth in 2020, while the other half registered losses. <sup>F</sup>

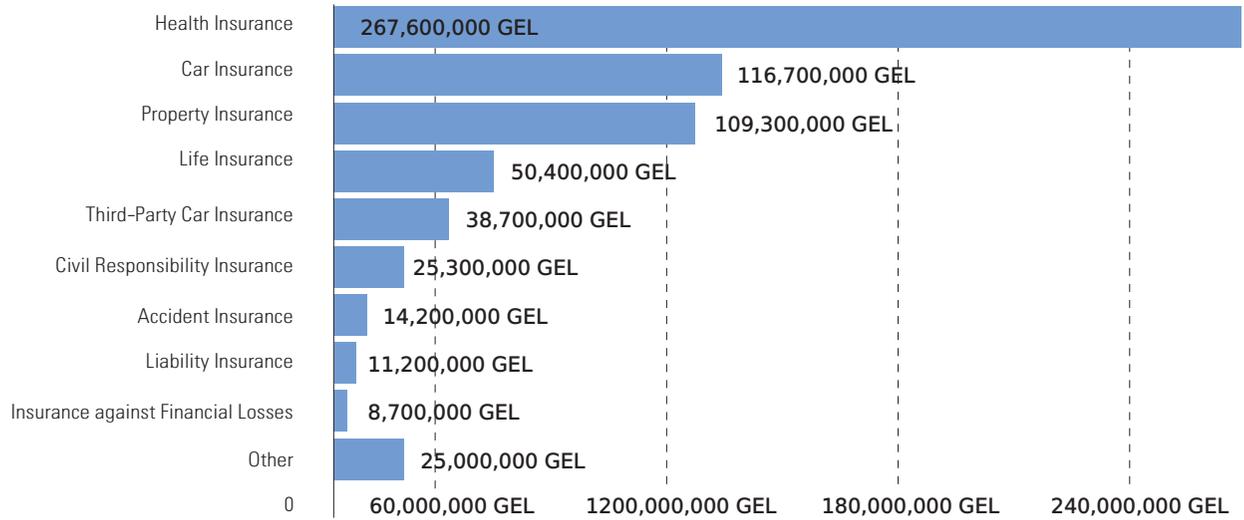


## Rankings of Insurance Companies Operating in Georgia

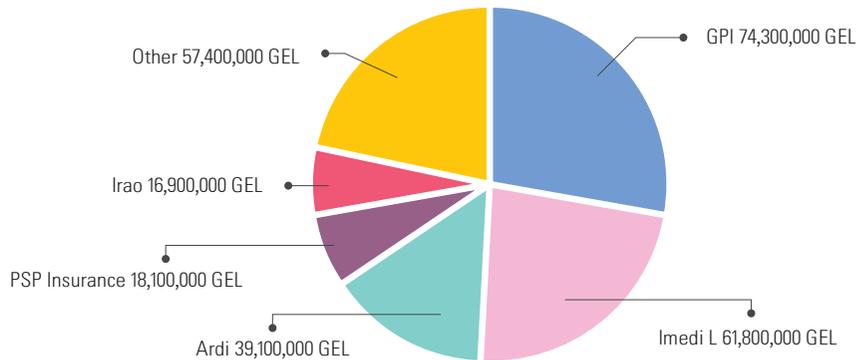
The rankings are composed based on premiums collected in 2019 and 2020.



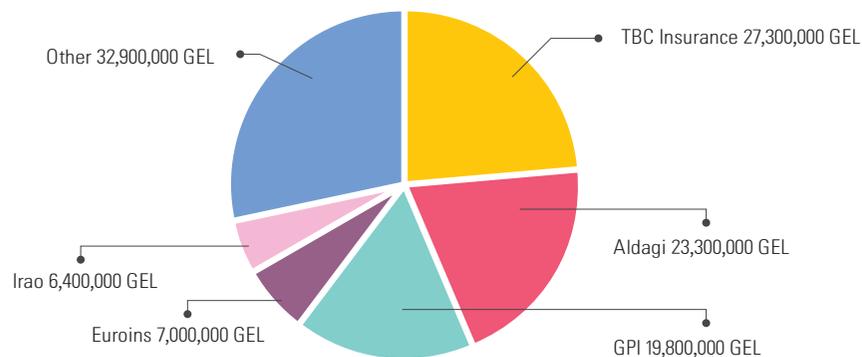
## Ranking of Insurance Market Segments (2020)



## Health Insurance Market Distribution by Company



## Car Insurance Market Distribution by Collected Premiums



# LeaderBoard

## The World's Top 50 Influencers Across Social Media Platforms

**I**n the modern digital world, social media reach is power. The people with the most followers on Twitter, for example, have a massive platform to spread their messages, while those with large, engaged followings on Instagram are an advertiser's dream sponsor partner.

Social media can also be an equalizer of power. It's true that many celebrities boast large followings across platforms, but social media has also enabled previously unknown personalities to turn YouTube or TikTok fame into veritable star power and influence.

Who has the biggest reach across the entire social media universe? Instead of looking at who has the most followers on Instagram, Twitter, or other networks, we ranked the most-followed personalities across all major platforms combined.

BY OMRI WALLACH

BOOMERS

GEN X

Twitter YouTube Facebook Instagram

TikTok

MILLENNIALS

GEN Z

5 TOTAL FOLLOWERS IN 100M

# THE WORLD'S TOP 50 SOCIAL MEDIA INFLUENCERS

From sports and movie stars to social media personalities and politicians, here are the people with the largest social media followings across platforms.



**517M** Athlete  
Cristiano Ronaldo  
Soccer superstar Cristiano Ronaldo is the most-followed person on both Instagram and Facebook.



**455M** Musician  
Justin Bieber



**429M** Musician  
Ariana Grande

**425M** Musician  
Selena Gomez



4

Musicians account for half of the top 50 top social media influencers.



**342M** Actor  
Dwayne Johnson

**338M** Musician  
Katy Perry



**361M** Musician  
Taylor Swift



**319M** Other  
Kim Kardashian



**332M** Musician  
Rihanna



**333M** Other  
Kylie Jenner

The Kardashians and Jenners grew from reality stars to celebrity, beauty, and social media powerhouses.

3



**282M** Musician  
Shakira



**298M** Athlete  
Lionel Messi



**283M** Athlete  
Neymar



**260M** Other  
Ellen DeGeneres



**277M** Musician  
Jennifer Lopez



**267M** Musician  
Beyoncé



**221M** Politician  
Barack Obama  
Barack Obama is the most-followed person on Twitter.



**217M** Actor  
Will Smith



**232M** Musician  
Nicki Minaj



**210M** Musician  
Lady Gaga



**235M** Musician  
Miley Cyrus



**212M** Other  
Kendall Jenner

2



**177M** Actor  
Vin Diesel



**194M** Musician  
Eminem



**201M** Actor  
Kevin Hart



**192M** Musician  
Drake



**195M** Athlete  
Virat Kohli



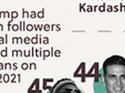
**211M** Musician  
Demi Lovato

Charli D'Amelio's popular dance videos made her TikTok's largest star and the youngest top social media influencer.

32



**175M** Politician  
Narendra Modi



**165M** Other  
Kourtney Kardashian



**175M** Musician  
Justin Timberlake



**191M** Musician  
Bruno Mars



**187M** Musician  
Chris Brown



**160M** Musician  
Cardi B



**171M** Musician  
Billie Eilish



**169M** Other  
Charli D'Amelio

50



**134M** Actor  
Salman Khan



**138M** Musician  
Snoop Dog



**144M** Actor  
Priyanka Chopra



**157M** Athlete  
LeBron James



**142M** Musician  
Wiz Khalifa



**156M** Musician  
Adele



**143M** Gaming  
German Garmendia

1

PewDiePie is far and away the most-followed personality on YouTube.



**141M** Gaming  
Felix "PewDiePie" Kjellberg



**136M** Musician  
Shawn Mendes



**135M** Other  
Whindersson Nunes

BOOMERS

GEN X

MILLENNIALS

GEN Z



Facebook YouTube Twitter Instagram TikTok /visualcapitalist @visualcap visualcapitalist.com

# LeaderBoard

## Who Has the Most Overall Followers on Social Media?

We parsed through hundreds of the most-followed accounts on multiple platforms to narrow down the top influencers across social media as of April 2021.

Sources include trackers of the most followers on Twitter, Instagram, Facebook, YouTube, Twitch, and TikTok, verified directly on site and with social media tracker Socialblade.

The results? A top 10 list of social media influencers consisting of athletes, musicians, politicians, and other personalities.

Rank	Name	Category	Total Followers	Biggest Platform
#1	Cristiano Ronaldo	Sports	517M	Instagram
#2	Justin Bieber	Music	455M	Instagram
#3	Ariana Grande	Music	429M	Instagram
#4	Selena Gomez	Music	425M	Instagram
#5	Taylor Swift	Music	361M	Instagram
#6	Dwayne Johnson	Film & TV	342M	Instagram
#7	Katy Perry	Music	338M	Instagram
#8	Kylie Jenner	Other	333M	Instagram
#9	Rihanna	Music	332M	Twitter
#10	Kim Kardashian	Other	319M	Instagram

Unsurprisingly, celebrities reign supreme on social media. As of April 2021, soccer superstar Cristiano Ronaldo was the most-followed person on social media with more than 500 million total followers.

But there are other illuminating highlights, such as the global reach of music. With large and diverse fanbases, artists account for half of the top 50 largest social media followings.

Also notable is the power of Instagram, which was the biggest platform for 67% of the top 50 social media influencers. This includes hard-to-categorize celebrities like the Kardashians and Jenners, which turned reality TV and social media fame into business and media empires.

# The Most Followers on Twitter, TikTok, and YouTube

However, it's not only celebrities that dominate social media.

Personalities that started on one social media platform and developed massive followings include TikTok's most-followed star Charli D'Amelio and YouTubers Germán Garmendia, Felix "PewDiePie" Kjellberg, and Whindersson Nunes Batista.

Politicians were also prominent influencers. Former U.S. President Barack Obama has the most followers on Twitter, and India's Prime Minister Narendra Modi has more than 175 million followers across social media.

Former U.S. President Donald Trump would have also made the list with more than 140 million followers across social media before being banned from multiple platforms on January 8, 2021.

## A Generational Look at Social Media Influence

While older generations have had to adapt to social media platforms, younger generations have grown up alongside them. As a measure of cultural importance, this gives Gen X, Millennials, and Gen Z a rare leg-up on older generations.

Millennials, in particular, hold the lion's share of spots in this top list:

Generation	# of Influencers in Generation	Top Influencer in Generation
Gen Z	4	Kylie Jenner
Millennial	33	Cristiano Ronaldo
Gen X	10	Dwayne (The Rock) Johnson
Baby Boomer	3	Ellen DeGeneres

The average age of the top 50 influencers was just over 37.

In our Generational Power Index (GPI), which measures the share of power generations hold in various categories, digital platforms were a key area where Millennials derived their power and influence. Overall, Baby Boomers—and to a lesser extent, Gen X—still run the show in most areas of society today.

## Social Media Influence, Going Forward

As most fans and advertisers know, not all social media accounts and followings are homogenous.

Many influencers with relatively small followings have more consistent engagement, and are often able to demand high advertising fees as a result.

Conversely, most social media platforms are reckoning with a severe glut of fake accounts or bots that inflate follower counts, impacting everything from celebrities and politicians to personalities and businesses.

Regardless, social media has become a mainstay platform (or soapbox) for today's cultural influencers. Billions of people turn to social media for news, engagement, recommendations, and entertainment, and new platforms are always on the rise.

# LeaderBoard

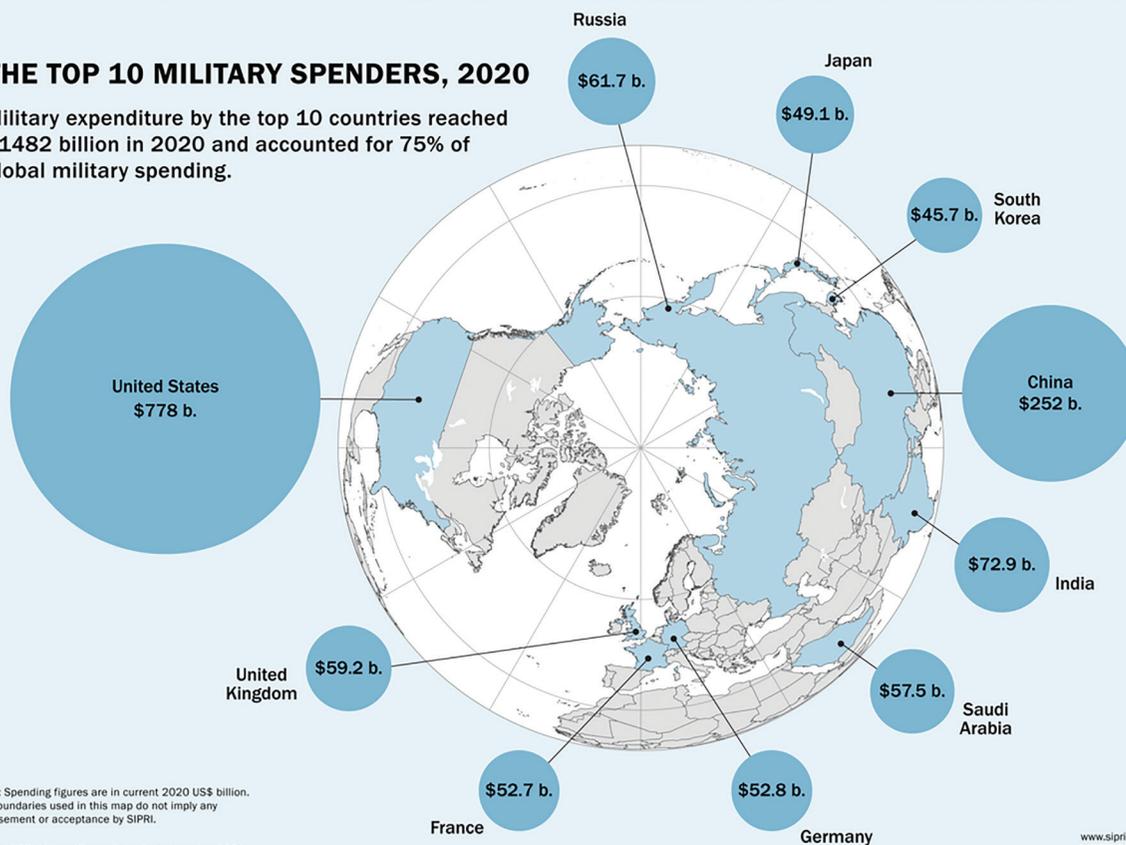
## The World's Top Countries for Military Spending

By practically any measure, the world today is more peaceful and less war-torn on a global scale, relative to the past. For instance, declarations of war between nations and soldier casualties have both dropped drastically since the 20th century. Yet, military spending has not followed this trend.

BY ARAN ALI

## THE TOP 10 MILITARY SPENDERS, 2020

Military expenditure by the top 10 countries reached \$1482 billion in 2020 and accounted for 75% of global military spending.



# The Top 10 Military Spenders

According to SIPRI, global military spend reached almost \$2 trillion in 2020. The top 10 countries represent roughly 75% of this figure, and have increased their spending by \$51 billion since the year prior.

Here's how the world's top 10 military spenders compare to each other:

Rank	Country	Military Spend 2020 (\$B)	% Change	Military Spend 2019 (\$B)
#1	United States	\$778.0	+6.2%	\$732.0
#2	China	\$252.0	-3.4%	\$261.0
#3	India	\$72.9	+2.5%	\$71.1
#4	Russia	\$61.7	-5.2%	\$65.1
#5	United Kingdom	\$59.2	+21.5%	\$48.7
#6	Saudi Arabia	\$57.5	-7.1%	\$61.9
#7	Germany	\$52.8	+7.1%	\$61.9
#8	France	\$52.7	+5.1%	\$50.1
#9	Japan	\$49.1	+3.1%	\$47.6
#10	South Korea	\$45.7	+4.1%	\$43.9
	<b>Total</b>	<b>\$1,481.6</b>	<b>+3.5%</b>	<b>\$1,430.7</b>

The U.S. isn't labeled as a global superpower for nothing. The country is by far the largest military spender, and its \$778 billion budget trumps the remainder of the list's collective \$703.6 billion. On its own, the U.S. represents just under 40% of global military spending.

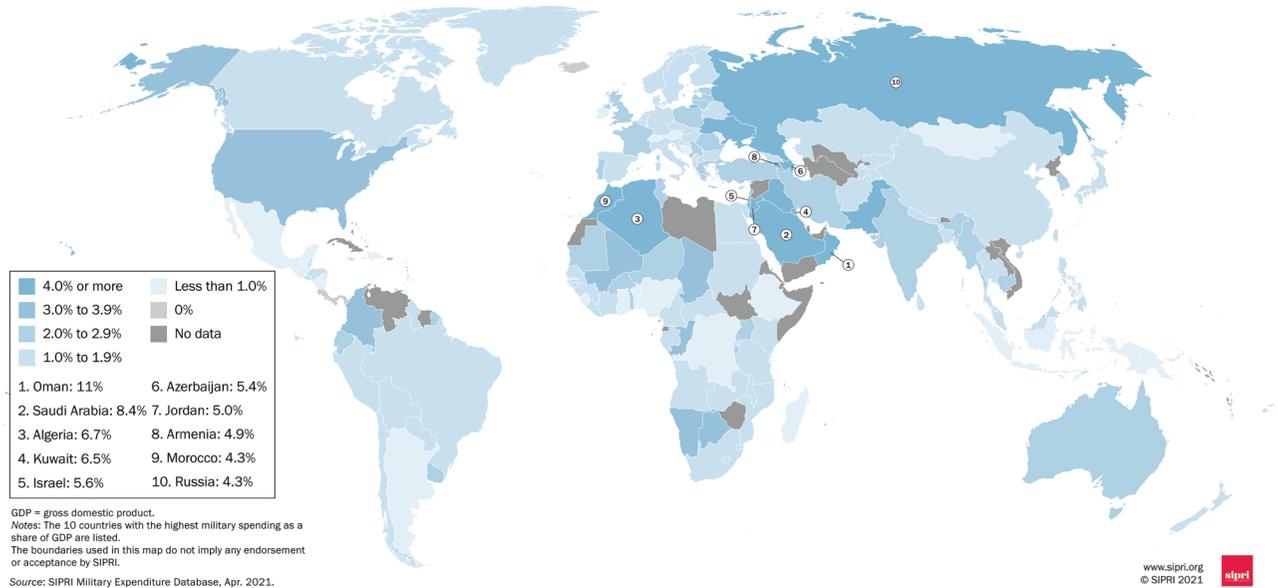
This year, Saudi Arabia has lost out on a top five seat to the UK, after a 7.1% decline in spending compared to a 21.5% increase for the UK.

# LeaderBoard

## Military Spend as a Percentage of GDP

Military expenditures as a percentage of GDP can be used to compare military spending relative to the size of a country's economy.

**MILITARY SPENDING AS A SHARE OF GDP, BY COUNTRY, 2020**



When looking at things this way, many of the top spenders above do not appear. This may be an indication of their economic prowess or a demonstration that the money might be used for other vital areas such as education, healthcare, or infrastructure

Rank	Country	Region	Spend as a % of GDP (2020)
#1	Oman	Middle East	11.0%
#2	Saudi Arabia	Middle East	8.4%
#3	Algeria	North Africa	6.7%
#4	Kuwait	Middle East	6.5%
#5	Israel	Middle East	5.6%
#6	Russia	Europe/Asia	4.3%
#7	Morocco	North Africa	4.3%
#8	Iraq	Middle East	4.1%
#9	Ukraine	Europe	4.1%
#10	Pakistan	South Asia	4.0%

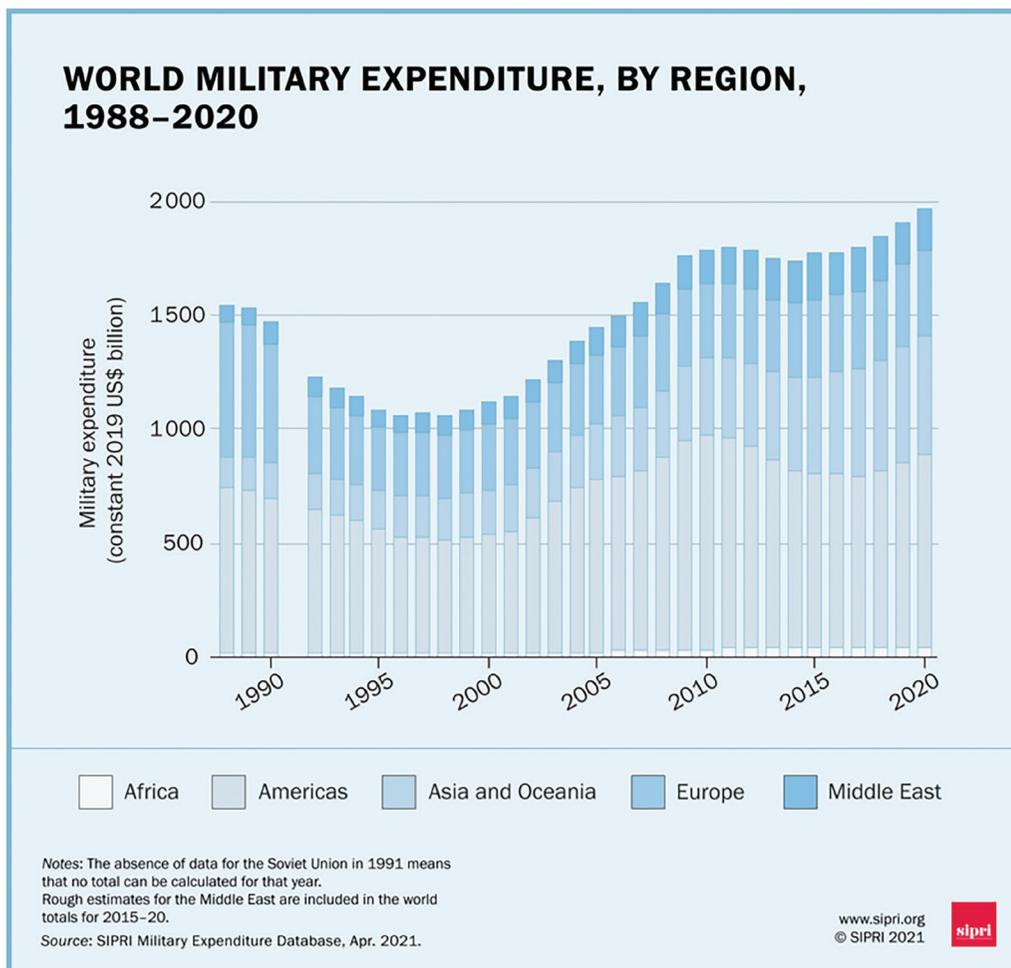
It's pretty rare for countries to reach double digits for military spending as a percentage of GDP. In this case, Oman is an outlier, as the Middle Eastern country's spending relative to GDP grew from 8.8% last year, to 11% in 2020.

Many of the countries with the highest military spending to GDP are located in the Middle East—a reflection of the escalating conflicts that have persisted in the region for well over two decades.

It's worth noting that some data for the Middle Eastern region are estimates, due to the aforementioned regional instability.

## More Spending to Come?

Global military spending figures are at a 32-year high, despite the pandemic's effect on shrinking economic output.



Although a major war hasn't occurred in some time, it's not to say the geopolitical mood hasn't been tense.

The last 12 months or so have witnessed some nail-biting moments including: Border disputes between China and India • Heightening tensions between China and Taiwan • Russia's military presence in eastern Ukraine • The hacking of SolarWinds, a Texas-based company, by Russia • The ongoing Yemen crisis • An Israel-Iran feud

Will 2021 extend the trend of peace, or will rising military spending mean even higher tensions?



## THOUGHT LEADERS

RAINER MICHAEL PREISS - CURRENT EVENTS

# INFLATION RISK



## AS THE GLOBAL VACCINE ROLLOUT

continues and the post pandemic economic recovery gets closer, the global market narrative about rising inflation and the risk of the U.S. economy overheating has become more mainstream. Bank of America recently created headlines with its warning about the risk of transitory hyperinflation.

As stewards of capital and investment portfolios, the most important question fund managers face today is whether the 40-year trend of disinflation ended in 2021?

In my view, the inflation trade, is arguably the biggest decision you have to make with regards to your portfolio for the next 10 to 20 years.

If you have got a 10-year to 20-year investment horizon now, the downside is that you do not adjust. Your risk is that you do not adjust for inflation. Especially at a time when traditional fixed income is increasingly return free risk and crypto currencies like bitcoin are making record highs.

Inflationary risk is generally defined as the risk that inflation will undermine an investment's returns through a decline in fiat currency purchasing power. Bond payments are at most inflationary risk because their payouts are generally based on fixed interest rates, meaning an increase in inflation diminishes their purchasing power.

Rampant monetary easing by global central banks to aid the global recovery from COVID-19 is spurring economic activity while debasing fiat currencies. The rising prices of gold and bitcoin are visible indications of this, as investors seek to hedge their portfolios against inflation.

U.S. Treasury Secretary Janet Yellen indicated last week that if President Biden's multi trillion-dollar spending plans are enacted by Congress, "it may be that interest rates will have to rise" to prevent the U.S. economy from overheating.

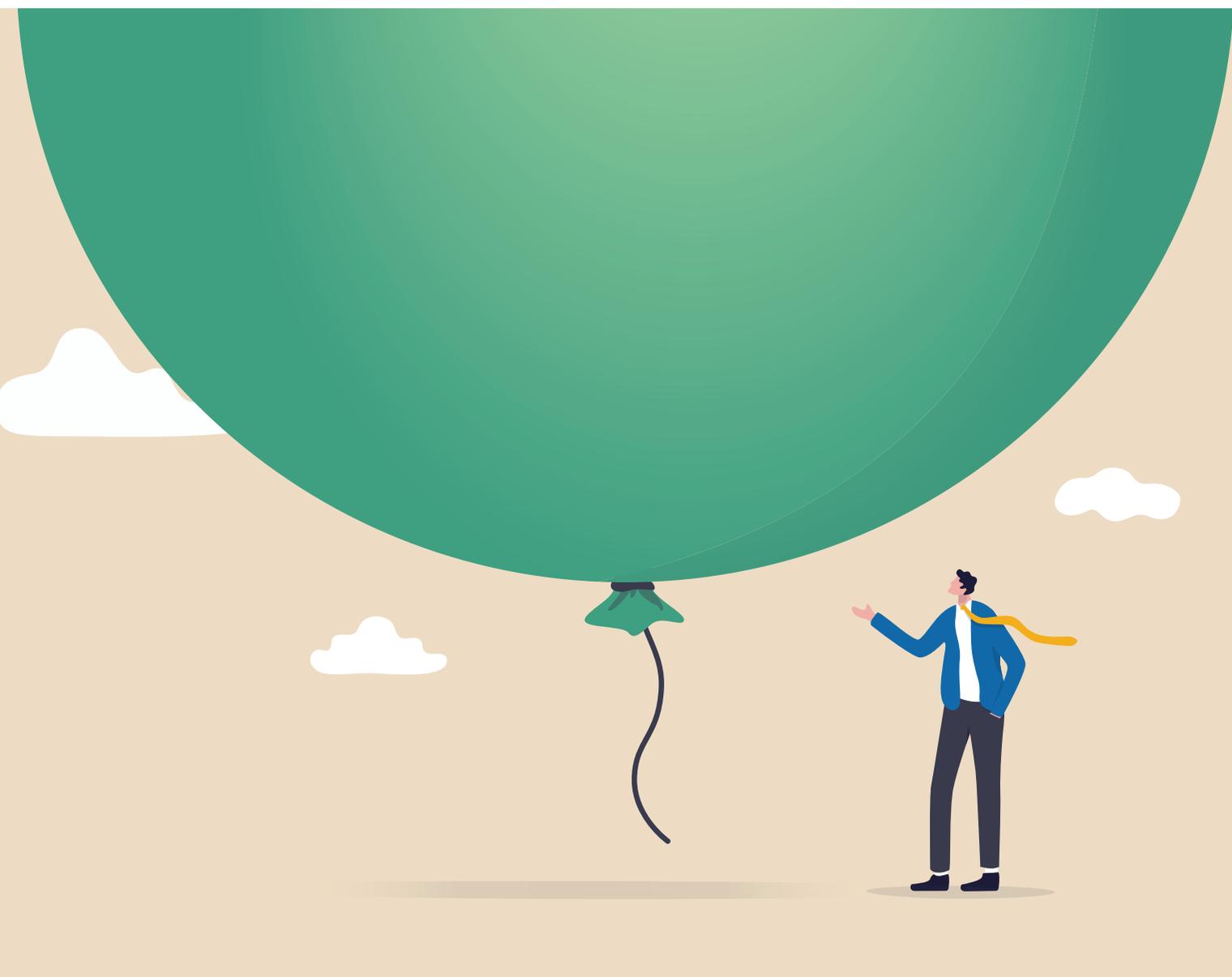
It was the most overt acknowledgement to date by a government or Federal Reserve official that inflationary pressures exacerbated by unprecedented federal stimulus spending and pent-up demand consumer spending might actually harm the American economy.

Madame Secretary Yellen offered further assurances that she is not worried about persistent inflation, but she does think prices will rise in the short term as economic activity picks up.

The return of inflation now seems to have become consensus and could become one the main market themes for 2021, coupled with a rebound in global commodities. Year-to-date, the best performing stock markets in the world, like Mongolia and Kazakhstan, are all commodity linked stock markets.

Rising inflation will lead to steeper yield curves

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



initially, and eventually central bank policies such as yield curve controls and heavy debt monetization, in my view. This is likely to further drive investors into real assets, namely commodities and GEM (global emerging markets), especially global emerging market value stocks. Despite geopolitical risk, commodity-rich emerging markets, like Russia and Kazakhstan, are the best hedge against global inflation rising.

According to Vladimir Potapov (CEO of VTB Capital Investments, Russia's largest wealth and investment manager and part of Russia's second largest bank, VTB) Russian equities offer over 100% upside from current levels over the next three years, plus he highlights investors get paid to wait for the rerating with a 7% dividend yield.

While the media talks a lot about U.S. and increasingly EU sanctions on Russia,

it is important to note that U.S. and UK investors are still by far the largest institutional investors in Russian equities.

As the world comes out of lockdown and hopefully overcomes the pandemic, investors might want to recall Austrian economist Friedrich August von Hayek's famous statement: "it is not an exaggeration to say history is largely a history of inflation, usually engineered by governments for the gain of governments." <sup>F</sup>



## THOUGHT LEADERS

ELENE KVANCHILASHVILI - EDITOR'S NOTE

# All the Best, Mr. Hudak!



**GEORGIA'S PM HAS A SPECIAL ADVISOR** on attracting FDI. Vazil Hudak now has a direct link to Georgia, as the former EIB Vice-President was presented to wider society in a special briefing on May 7th, 2021.

The decision came as a surprise since no one from the Georgian government had even hinted before that appointing a foreign advisor on bringing in foreign investment was being discussed.

Since the Prime Minister Irakli Gharibashvili sticks to a policy of minimal communication with the media and does so only through briefings without the possibility of asking questions, we still do not know whether there were some other candidates discussed or Mr. Hudak was the only choice of the Prime Minister.

Also, it is still hard to judge what is the exact job description that comes with the new appointment - the only practical goal that has been identified at the first briefing is for Georgia to become part of the 50-billion-euro initiative of Europe to support the SME sector globally.

"It is aimed as an endeavor for greater resilience," Vazil Hudak, an EU envoy for SMEs explained at a briefing. "We have to operate together during a difficult period. It is true both for Europe and globally. It is of course due to COVID-19. However, I believe that difficult times are opportunities as well. We have an opportunity now to grow and develop in many different directions, create better quality in various areas, attract support from the USA, EU and other countries. We know how to recover the economy through investment, more economic development and advancement. I believe that this is the future of Georgia as well as the EU."

As Vazil Hudak briefly explained this program has two main aspects: digitalization and green or environmental initiatives to address climate change. "These are the future directions of Georgia as well - to become more digital, more

modern and greener. I believe that Georgia will thus come closer to Europe and this is the major aspiration of the Georgian government too," Vazil Hudak noted.

Actually this is not the first time that our readers heard about Europe's initiative to support a green economy and SMEs. As just one example to focus on, which was a very pointed suggestion from the IMF in an interview with Jihad Azour, the Director of the Middle East & Central Asia Department at the International Monetary Fund in early April 2021. "We see potential for new partnerships." Mr. Azour said, "Europe is investing in a strong recovery. That's expected to be green recovery. This offers neighboring countries, like Georgia, benefits."

ADB told me earlier last month that it had been working hard with commercial banks to ensure long-term cheaper loans for SMEs to give them a chance of longer-term investment and growth. "Going forward we are also interested in developing opportunities for longer-term financing. Right now, it is hard to get financing for any length of time, and that makes it difficult to make longer term investments - the types of investments that businesses need to grow, and to employ more and more people. Loans are extremely hard to get, and we think that it should be a priority of the financial sector more broadly to help not only SMEs but also many other businesses as well," the ADB resident representative to Georgia Shane Rosenthal said.

Earlier this year, in March, Mercedes Vera-Martin (former IMF Mission Head to Georgia) focused on SME importance but in a totally different light, linking it directly to the need for FDI as Georgia's economy starts to gradually recover. In my interview with the former IMF Mission Head, Mercedes Vera-Martin stressed that "special efforts" needed to be put in place to attract FDI to the country.

Well, hiring a special advisor on attracting FDI seems to



be just that.

"You are in the location that can be very attractive, between East and West - Georgia being at the crossroads," Mercedes Vera-Martin explained in an exclusive interview. "The fact that you have an FTA (Foreign Trade Agreement) with China and with the EU can help some companies find geographic advantages by being located in Georgia. And for a country like Georgia, you don't need to bring in very large companies - I mean, those are welcome, and they bring a lot of know-how - but you can also bring in medium-sized enterprises."

Our loyal readers might also remember our big exclusive with Odile Renaud-Basso, EBRD's President where she stressed that EBRD would stand with Georgia in its goals to focus on switching to a green economy and coming closer to implement the Association Agreement. "This will be very important," Odile Renaud-Basso told me in February.

These examples make it clear that there seems to be a consensus among the international community that Georgia needs resources to support and develop the SME sector and green economy initiatives, and if the political situation in Georgia meets the

required standards, then the country should not have problems benefitting once again from international programs.

So what did Vazil Hudak underline as his role during the briefing? "To help the government of Georgia to find ways to mobilize other resources. International support will bring benefits to the government of Georgia." This might not seem like a tough goal to achieve, as the Prime Minister Irakli Gharibashvili also noted in his address, counting on Mr. Hudak's advice to pull together PPP (Public-Private Partnership) projects and investment in strategic sectors. With all major or minor HPPs (High Priority Projects) on hold, and with Anaklia's case still in international arbitration, a fresh look at the country's challenges might serve Georgia well.

The Prime Minister's open call that Georgia needs investment is a focus on FDI that many of us - in business or in business media - have long been waiting for. Coronavirus has served as a good catalyst to expose problems that have been piling up for more than a couple of years now.

According to preliminary data, the volume of FDI in Georgia amounted to \$616.9 million

in 2020, which is down by 52.9% compared to 2019. Current FDI inflow is the lowest since 2008/2009, which was the post-war period in the country. Official data shows that FDI hit a 15-year low in 2020. According to Geostat, the main reason for the decline in FDI was the transfer of several enterprises under the ownership of Georgian residents, it resulted in FDI reduction by \$340.5 million.

Both business associations and major private sector players support the Prime Minister's decision to bring an experienced voice to the international negotiations table. But strongly maintain one emphasis - the Georgian government should listen to its advisor.

Meanwhile, half a year should be enough to notice any results of Vazil Hudak's advice to the Prime Minister. As one prominent Georgian businessman - Temur Tchkonია - told me in a live TV-interview in 'Analytics with Elene Kvanchilashvili', we will observe any changes easily. "We have zero FDI today; when we have more, this means we can measure Hudak's advice".

**ALL THE BEST, MR. HUDAK!**

F



## THOUGHT LEADERS

SEBASTIAN MOLINEUS - CURRENT EVENTS

# GEORGIA ON THE ROAD TO GREEN AND RESILIENT GROWTH



### ONE THING HAS BEEN CLEAR TO ME

ever since I arrived in Georgia in the summer of 2019. It is a beautiful, breathtaking country and it is truly refreshing to see that so many Georgians care deeply about nature and the environment.

Georgians are increasingly working to protect the local environment. In a survey by the Regional Environmental Center for the Caucasus, almost all respondents indicated that climate change is affecting Georgia, while in another survey by UNICEF, one third of Georgian youths reported they engaged in volunteer work to protect the environment in various ways.

This bodes well for Georgia's aspiration for EU membership. Becoming a member of the EU means "greening" Georgia's growth and aligning with the European Green Deal, soon to be a defining feature of the EU's approach to development.

So how can Georgia transition to greener and more climate resilient growth? In addition to changing attitudes and personal choices, it is also about economics. The World Bank's latest report *Georgia: Towards Green and Resilient Growth* outlines some opportunities.

The report analyzes the cost of environmental degradation and opportunities for enhancing natural capital in the forest sector. It offers pathways to prioritize resource allocation for a greener economic recovery in the wake of the COVID-19 pandemic, and sustainable growth for years to come. I would like to share six of our most important findings.

**First**, we found that the effects of climate change in Georgia, like elsewhere, will disproportionately impact the poor—many of whom directly depend on land for their

survival and livelihood. Temperature increases and reduced precipitation will negatively impact the agrarian, forest and water sectors.

**Second**, without action, climate change-driven impacts could cost more than 6% of Georgia's GDP. It is worth noting that climate change is not a rural versus urban issue either. We can see that urban settlements, including Tbilisi, increasingly suffer from extreme weather events that result in flooding, waterlogging, landslides, and damage to utility infrastructure.

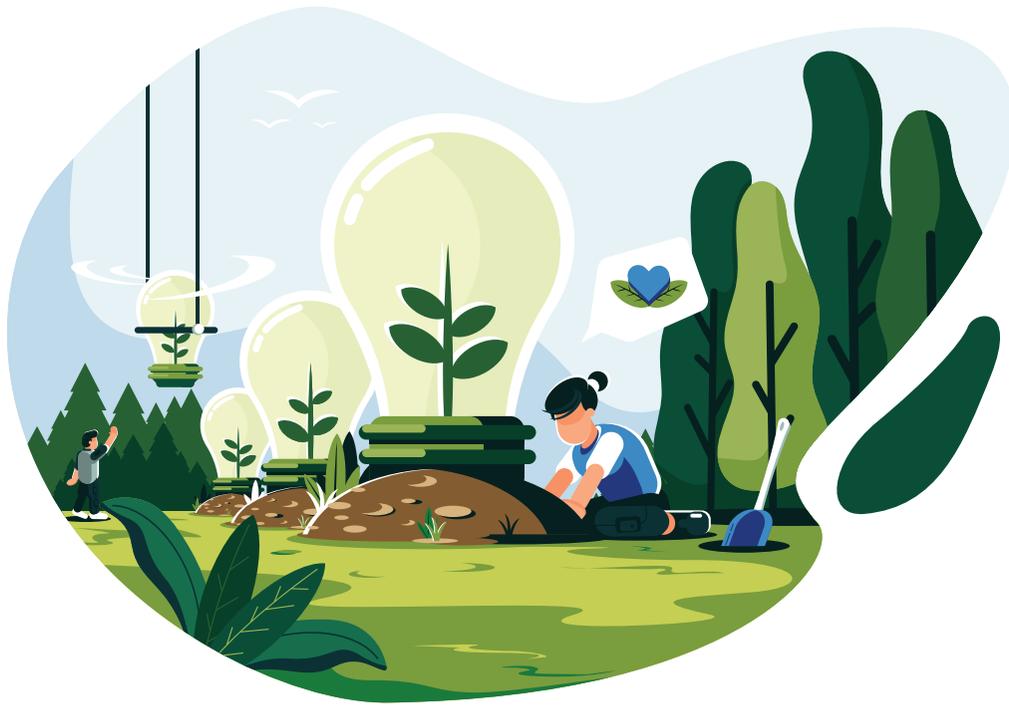
**Third**, if we look to Georgia's west - the Black Sea coast - we see a lot of impact there too. According to a recent World Bank report, the cost of environmental degradation in Georgia's six coastal municipalities was estimated at 4-5% of coastal zone GDP in 2018, due to flooding, erosion, waste, and damage to agricultural soils and forests.

**Fourth**, Georgia's impressive progress in economic growth is a shining example of what can be done with smart policies, hard work, and international cooperation. Yet, this has come at some cost. Air pollution is a growing environmental challenge in Georgia, and the economic cost of associated health impacts is estimated at more than \$500 million annually. Here, there is a clear opportunity to do better for our own health and that of our children.

**Fifth**, when it comes to both air quality and economic development, forests are a key national treasure. Georgia has bolstered its forest sector regulatory framework through a comprehensive national system for sustainable forest management, and the adopted Forest Code provides the legal basis for improved management of this resource.

Finally, increasing the role of the private sector in embracing green growth is an important goal in this context.

SEBASTIAN MOLINEUS IS THE WORLD BANK REGIONAL DIRECTOR FOR THE SOUTH CAUCASUS



Greening businesses opens doors to innovation and makes jobs safer, healthier, and more productive. It is also essential for Georgia's regional integration under the EU-Georgia Association Agreement.

The country's relatively low per capita CO<sub>2</sub> emissions are disproportionately high when compared against a unit of GDP. This indicates significant potential to make Georgia's economy and key growth sectors (such as tourism, metal and mining) "greener". A strong "green" business sector will also generate new export opportunities for innovative industries at the forefront of the country, including forestry.

Georgia's national development strategy emphasizes the importance of sustainable development. For example, the Ministry of Economy & Sustainable Development has been undertaking vital work recently to develop the country's green growth strategy. Working out new regulations for managing lead pollution is also a commendable and much-needed measure in this respect.

In the context of these positive dynamics, the World Bank is ready to strengthen its collaboration with Georgia's policymakers and the private sector, as well as other development partners for a green and resilient Georgia.

The World Bank has in fact been partnering with Georgia on the green growth agenda for some time now, by harnessing the potential of

digital development and promoting sustainable cities, cleaner transportation, and healthier buildings.

For instance, we examined energy efficiency, underheating, and the associated economic costs in public buildings, including schools. The results of the study were quite grim, pointing to significant health and economic impacts. The study also revealed that, in many rural schools, inefficient heating practices—the use of stoves and firewood and poor insulation of buildings—cause significant indoor and outdoor air pollution and underheating.

As part of our ongoing Inclusion, Innovation and Quality project, we are supporting the construction of new schools and modernization of existing schools and integrated pre-schools so that they are healthy for children, teachers, and the environment, and are resilient against any future climate-related weather shocks.

The World Bank is also helping Georgia with adaptation to climate impacts in coastal areas and the water sector. We are also supporting the implementation of the EU4Environment regional program of the European Commission to enhance delivery of ecosystem services and livelihoods that depend on them. Based on the national needs assessment, program activities in Georgia will focus on the sustainable use of forest resources and im-

proved management of ecosystems under the "Emerald Network" – a network of protected areas with the objective of the long-term protection of high conservation value species and habitats.

The continued implementation of the EU-Georgia Association Agreement supports Georgia's aim to apply EU standards, creating an ambitious agenda in the environmental field.

Looking to the future, there is an emerging opportunity to further inform the government of Georgia's national development goals, including its green growth strategy, as well as helping with the transition to a carbon neutral economy over the long term.

The World Bank is establishing a Georgia Green Transition Platform, which will inform Georgia's NDC actions on decarbonization and adaptation to climate change, promote technological innovation, and create opportunities for "green" jobs – all with an eye on fiscal prudence and cost efficiency.

I think it is fair to say that we are all waiting for the excitement of growth, development, and opportunity to return as soon as we overcome these trying times. And when we do, let us work together to make sure that Georgia's natural wealth is at the heart of its green growth strategy.

Let's all strive for a Georgia that is open, digital and green! **F**



## THOUGHT LEADERS

COLIN DONOHUE - CURRENT EVENTS

# “THE FIRST STARTUP EXIT” WHAT DOES IT MEAN FOR GEORGIA?



**FEBRUARY 12TH, 2018** a small group of Georgian startups traveled to Silicon Valley for a week of networking events and the seeds were planted for Georgia's first international startup exit. This Spring PulsarAI was acquired by US Company Spincar for an undisclosed price in the “tens of millions”.

The group was a mix of Startup Grind organizers (Giorgi Tukhasvhili and I), a few Georgian startups and staff of GITA (Georgia's Innovation & Technology Agency) which funded some startup travel. There were no corporate sponsors and we organized it as volunteers to help build bridges for the startup ecosystem in Georgia.

The most important actions were not at the official conference. My belief is that at conferences the real value is in smaller, more focused “side events” where you help the right people connect. In this direction we rented an Airbnb overlooking the Pacific Ocean and gathered a small “Diaspora Dinner” with successful Georgians in Silicon Valley meeting startups with the vision of fostering mentorship and investment opportunities.

At the conference we found a low-cost way for Georgia to be highly visible thanks to VRex Immersive which was a top finalist in the startup competition and earned a prime exhibit spot showing virtual reality tours of Georgia!

We also hosted at the house a party for Startup Grind city directors from around the world. Georgian hospitality became legendary across Startup Grind and parties were hosted in London as well as the US. “The Georgian Party” became a must-attend side-event and included as chapter directors from as many as 150 cities, some VCs

and journalists. The “Diaspora & Startups Dinner” also evolved, with great help of the Georgian embassy in the US and the Georgian Association in the USA.

This evolved into partnership with 110 chapter directors for Startup Grind Europe-Asia connect, hosted by Georgia online involving 2000 people from 280 cities in 60 countries. ([startupgrind.ge](http://startupgrind.ge))

## THE RIGHT CONNECTIONS

Business relationships are personal relationships and we believed that having founders and successful Georgian Diaspora together in an informal environment would forge connections. We found this to be the case.

As the Georgians from Silicon Valley gathered with the delegation we all shared our vision for a prosperous Georgia and dreamed what we could create together. One Georgian leader in the US was brought to tears with the idea of carrying on the legacy of his late father, and everyone gathered felt a special moment where something new and important was starting.

There were no “pitches” or “decks” or “investors” just people gathering together, learning about each other, and sharing ideas.

This is where the seed was planted for PulsarAI as the Dachi Choladze and Zaal Gachechiladze met with George Arison and Zaza Pachulia who later became investors. George would come to be the first investor in PulsarAI, chair their board, mentor the young founders, share huge amounts of data from his startup to train their artificial intelligence as well as introducing them to investors and customers and partners in the automotive space.

COLIN DONOHUE IS DIRECTOR OF STARTUP GRIND TBILISI AND STARTUP CONNECT. HE WORKS TO BUILD STARTUP COMPANIES AND ECOSYSTEMS IN GEORGIA AND BEYOND AND NOW SERVES AS FRACTIONAL CEO COMMERCIALIZING TWO GLOBALLY-SIGNIFICANT GREEN TECHNOLOGIES.



Zaza Pachulia and Pulsar AI founders at “Georgian House” at Startup Grind Global 2018

While George was extremely busy he took time out to give the startups attention. As Dachi shares George seemed very distracted as Dachi talked to him, typing on his phone. Dachi was concerned he was not listening and was very surprised. Soon after George revealed that while they talked he had already set up 3 appointments for the talented tech founders and was opening the door to his networks!

## GEORGIA'S STARTUP STAR

One of the most successful Georgian startup founders is George Arison, born Irakli Areshidze. He was born and grew up in Georgia but moved to the US as teenager for school. His resume includes work at Google, founding the startup Taxi Magic, and work with Boston Consulting Group. George was CEO of Shift which at the time had raised \$50 Million from investors like Goldman

Sachs and Highland Capital. Our mutual friend Mark Mullen had recruited him to tear himself away from the office to come for dinner with Georgian founders though he was ferociously busy growing the company and laying foundation for a new \$140 million round of debt & equity which he closed 6 months later. Since then Shift.com has gone public on NASDAQ trading as SFT with a market cap of over \$650M.

Dachi and Zaal followed-up quickly with a meeting at Shift's office and established a working relationship with George. Subsequently George gave them some project activities to demonstrate their capacity and the relationship evolved into active mentorship.

Pulsar had been an AI/ML development shop on the Georgian market and George helped guide them into a more scalable opportunity bringing conversational AI to auto dealerships. Combining the experience,

data set, and relationships in the automotive industry George had from Shift Pulsar was able to get a “head-start” on the competition and seize the niche of offering high-quality automated tools for car shoppers.

The company that eventually acquired pulsar, Spincar.com, is “global leader in digital automotive merchandising software and data” and was eager after PulsarAI was only in the automotive market for less than 2 years to acquire them, saying “Pulsar's team of deep learning specialists, developers, data scientists, linguists and operations personnel have developed some of the most powerful conversational AI capabilities available today”. In the acquisition Spincar is making offers to all existing PulsarAI team members and seeks to expand the Georgian team moving forward.

Availability of qualified AI/Machine Learning workforce is likely a barrier to Pul-

sar's growth and an issue Georgia needs to solve to capitalize on the opportunity arising for Georgian companies. Competition for AI/ML talent is already a source of friction for Georgian companies.

## A NEW DAY FOR GEORGIA?

While PulsarAI is making the news, there has been a steady development of things in Georgia. We have used the networks from Startup Grind and guests of Georgia's Innovation & Technology Agency, bringing VCs and other guests to see the sites and fall in love with Georgia.

Georgia's reputation in the startup world has become significant as it became one of the first regional Startup World Cup competitions, covering the Black Sea region, and hosted the largest Startup Grind online event ever in December 2020 involving 60 countries and 280 cities.

Building on Georgia's reputation for hospitality we have developed networks with top-tier venture investors from Silicon Valley and many have "fallen in love with Georgia, including Bill Reichert (Garage Ventures, Pegasus Ventures), Marvin Liao (founder of 500 startups flagship accelerator in San Francisco and investor in 400+ companies), Sheel Mohnot (500 Fintech Fund, Better Tomorrow Fund), Zach Coelius (Coelius Capital), Trae Stephens (Founders Fund) and more. The willingness of these investors to participate in activities in Georgia gives the opportunity to more quickly develop early stage investing based in a rational way, based on lessons learned and best practices from these professional VCs.

As national lead in Georgia for the EU-funded Early Stage Investing Launchpad project a couple of years ago I had the opportunity to engage some more open-minded investors in learning about seed investing from some great European angels. These investors have started to form a new culture, not trying to take 51% of a startup (thereby preventing them from being able to raise fu-

ture capital from VCs) and not trying to grab all of the equity in good deals. They learned about the importance of having a portfolio of startup investments as the math does not work if you only invest in one or two. They have warmed up to the idea of syndication of investments so investors have smaller pieces of more companies, for better portfolio construction. And they have learned that betting on a startup is not betting on the idea or projections but betting on the founders. Seed investing is mostly about having trust in founders and supporting them and allowing them to do their job.

For the Pulsar investment we invited the investors who had taken part in trainings and colleagues we knew and trusted. We wanted to involve people who would have expectations and founder-focused orientation. Georgian investors came in for a low-6-figure-USD investment across several investors, giving several people their first startup experience.

It was a good first experience for those local investors, though it was not a realistic one. Startup investment is a long-term commitment as the best companies will grow for a decade or more. Having a return in less than 2 years with multiple on your money is not typical.

In building an angel/seed portfolio you really want to put in a small part of your investable money (maybe 2% or 5%) and diversify across at least 10 companies if you want the math to work right. Some angels will just do a deal or two which is fine, but most likely you'll not get a return. Startups are a game of "outliers" so it's really the top 3% of investments that make returns for seed investors. If you put too much into too few companies your chances of hitting a 10X or 50X return is very low. You can do it for entertainment but angel investing without proper portfolio construction is gambling. The odds are in your favor, but it's still gambling.

Not every investor has the time or interest to get to know the best practices

in seed investing. Very wealthy people cannot afford the time to mess with enough companies to deploy meaningful capital and smaller investors may not have enough to invest to make a well-constructed portfolio.

This is why we are working with some of our VC friends in Silicon Valley to build a modest venture capital fund focused on seed investments in Georgia. Having a professionalized fund with experts in VC allows for good portfolio construction and support of startups as they grow in a way Georgian investors cannot provide.

Many people are talk about doing venture funds without any experience in the field, without deep connections in Silicon Valley with larger VC funds, customers and specialized talent startups need.

The secret is that the majority of funds do not have returns better than the stock market. Investors in these low-performing funds take additional risk without getting additional returns. In contrast, the top-tier funds are extremely high-performing. This is where the money is made in VC and why you'll never get into a Sequoia or A16Z fund as they are always oversubscribed.

High-performing VC funds make money by attracting the most talented founders and providing alpha from supporting those founders. This support comes in the form of introductions to potential follow-on investors, key customers, and talented specialists in areas important to the founder, sometimes media, etc. While US startups often go with a certain VC because of the doors they open its 100X more important for Georgian founders as most here do not already have connections with VCs, corporations and other key contacts.

I look forward to seeing the Georgian startup and early-stage investing ecosystem develop and hope that vehicles with the right networks and knowledge can be made available to ambitious young founders so they can fuel their growth from Georgian funds not just US, Japanese, Israeli, Dutch and UK investors as is the case now. **F**

# IT'S ALL IN THE DETAILS.

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# THE GREEN ENERGY LOBBYIST

Georgia consumes more energy than it produces. Last year, even as consumption decreased due to the pandemic, the country had to import 160.07 million kWh of electricity. How can Georgia enhance its energy independence? GNERC commissioner Maia Melikidze, who has written several books on the subject of renewable energy, sees green energy as a solution. We spoke to her about the existing challenges and government policy in this field.

Author: Tamta Jijavadze  
Photo: Nika Paniashvili



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**Energy imports from Russia reached a four-year high in 2020, accounting for 37% of total imported energy in the first 11 months of the year. Why was that the case?**

For a start, electricity consumption tends to grow over time due to infrastructural projects, such as the construction of large apartment blocks. Infrastructure is changing, technology is developing, and people's demands for comfort are growing. For example, hotels and residential homes use air conditioning units during summer, and heaters in winter. Electricity generation levels can therefore not keep up with growing consumption. Ultimately, this leads to an increase in electricity imported. We currently receive electricity from Azerbaijan, Russia and Turkey. The diversification component is crucial when it comes to price. To this end, I think it would be good to negotiate and cooperate with different countries. For example, if Armenia had enough electricity, we would also talk to them before choosing the best available offer.

**Does Russia offer Georgia competitive rates?**

Azerbaijan offers us the best rates, but we also deal with Russia for the simple reason that Azerbaijan may not have enough electricity to meet our demand. We also buy electricity from Turkey, although imports from this country do not cover a significant portion of our electricity consumption.

**What steps are being taken to increase energy independence?**

The first step is to achieve diversification, and the second is to integrate renewable energy into the grid. Energy efficiency is important. We know that hydroelectric power has been Georgia's most successful model, which generates 80% of our electricity. There is also thermal energy, but this requires natural gas, which we do not have. As you know, we import most of our gas from abroad. Therefore, our thermal power stations also rely on imports. Ideally, we should have additional sources of energy. Along with hydroelectric power, we should also harness other forms of green energy, namely wind and solar power.

To reduce energy dependence, it is important to diversify both the imported and locally generated energy. However, in light of recent events, generating electricity locally has become highly challenging.

**To what extent is solar energy currently being used in Georgia?**

We have a legal commitment to ensure that solar energy accounts for approximately 2% of our total electricity generation. As of today, we have only reached the 0.2% mark, meaning that there are significant opportunities with regards to solar energy. The rise in electricity prices in December 2020 encouraged the public and businesses to start thinking about solar energy. Demand has grown significantly over the last six months.

We are being approached by companies that install solar panels. They are interested to know how to improve their business model to meet growing demand. The opening of the energy market on 1st July 2021 will create more opportunities in this regard. Moreover, banks have identified a niche and created a special product, issuing loans specifically for transforming solar power into electricity. Several businesses have already applied for this product, and we are monitoring a growth in demand in this field.

**What is the timeframe for reaching the 2% target?**

We were expecting to meet the target within five or six years, but last year's rise in electricity prices speeded up the process. We may now reach the target in two to three years - half the time we initially envisaged.

**What happens when the 2% target has been exceeded?**

We must then conduct research to establish whether our electricity system can absorb more than 2%. If we find that this is possible, then we will definitely raise the limit. However, we may also consider installing solar batteries in the future.

The use of the net metering system is becoming increasingly popular. It allows excess electricity to be stored with the distribution company and used later, in which case reverse metering is applied. If the use of solar energy was to grow significantly, and the electricity distribution network is reset, then installation of solar batteries may become part of the regulations. The batteries can store electricity generated during the day, to be used by the consumer in the evening.

At this stage, our goal is to support those who are ready to make our country attractive for investors with regards to the use of solar panels and renewable en-

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ergy. Some investors have already identified opportunities and have expressed their interest.

**You mentioned investment. Foreign direct investment in the energy sector fell by 98% year-on-year in 2020. Do we have a mechanism in place for stimulating investment in the sector?**

The pandemic has affected investment in the energy sector, but we are also currently going through a transition period. More specifically, we are harmonizing our legislation with that of the EU. Further legislative pack-

ages are currently being prepared, and once these changes have been enacted, it will be much easier for investors to see the full picture and confidently enter our market. There are also investors who are waiting for the Georgian energy market to open on 1st July this year.

Investors routinely carry out various research projects, and they know very well about the growing demand and growing imports in Georgia. They also know that government policy is focused on energy security, energy independence and energy efficiency. This means that local energy sources must be advanced. Any smart businessperson or investor will realize that this is a lucrative niche that they can be a part of by entering the market and initiating local production. Their product is guaranteed to sell because electricity demand is substantial. We therefore expect them to start expressing interest from the second half of this year. According to the energy policy document of Georgia, the government and other parties involved in the energy sector must encourage generation of clean energy and seek to transform the country into a regional clean energy center. You have written several books about renewable energy.

**What kind of potential does Georgia have in this field?**

One of the UN's sustainable development goals is to achieve extensive use of renewable energy by 2030. We already meet this requirement, as hydroelectric power is a form of renewable energy. However, as a country we must realize that our neighbors are considerably richer in various resources, such as natural gas. Georgia has neither gas, nor nuclear power. However, we have plenty of energy to harness from water, sun and wind. In this regard, we are like a green flower within our environment.

Our policies are important: if we bet everything on energy efficiency and green energy development, we

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are sure to become a hub and a place of interest for our European partners. Some European countries have already started implementing infrastructure projects with solar panel roofing, energy efficient construction materials and light-absorbing windows. I am sure that similar projects will soon happen in Georgia too. We are gradually getting there.

**Implementing these goals could be expensive...**

That is true. We have to ask whether our country can withstand such financial pressures. It is a challenge, but we undoubtedly have potential. We must figure out how to achieve our goals while balancing the resources with people's financial means.

**One of the missions of the Georgian National Energy and Water Supply Regulatory Commission is to facilitate net metering. What are the recent trends in this regard? What is being done to raise public awareness?**

The net metering system currently has 294 subscribers, which includes residents of Tbilisi and other regions. We have taken certain measures, such as increasing capacity from 100 kW to 500 kW. This was a significant achievement for our network. We have also implemented the concept of a virtual consumer. It is now possible to generate energy in Borjomi and transfer it to Batumi, for example. The infrastructure is set up to facilitate generation of solar energy.

As for raising awareness, GNERC is working on establishing a learning center, where all the latest news will be shared with interested parties. We also have a media club that has been operating for several years. There is a steadily growing number of people who wish to obtain information at this club, asking critical questions that will be answered honestly by our staff. The issues raised at the club are also discussed by the Commission. The media club has demonstrated that information about the energy sector is high in demand, which is great to see.

**Using renewable energy also requires appropriate knowledge. To what extent have we accumulated such knowledge in Georgia?**

There is an older generation of professional electrical engineers. Then there is a gap, and now we have a new generation of people who are interested in this field. Young people have realized that energy is not a purely technical field, as it was perceived before. I

am a lecturer at two universities, and to my surprise, students are becoming less interested in banking and business. I get the impression that these subjects have been exhausted, and the youth now wish to learn more about renewable energy, its importance for small and medium-sized businesses, or the potential impact of the energy exchange. There is now a new generation of people willing to write dissertations on energy-related topics. As a representative of the energy sector, I am incredibly happy to see this. I believe that in five or six years, we will have a considerably more competent and stronger generation working in this field.

**You established a renewable energy research lab at the Business and Technology University. Was this also designed to spread knowledge about the energy sector?**

The lab was created to raise awareness among young people. We offer them various training courses. I have also been invited as a guest speaker by other universities. Students are very proactive, which is great to see. I get the impression that the younger generation wants to learn more, ask questions, enter into discussions, and so on. The lab is one of the spaces where we can raise awareness among youngsters.

**You are also heading a project that is designed to encourage and support the appointment of women to leading positions in the energy sector. To what extent are women represented in this sector, and what is being done to encourage them?**

There are very few women in the energy sector, although the circumstances at GNERC are relatively better. We have women working in leadership positions, but elsewhere in the sector, they are few in number. Women's interest in the field of energy is growing, but more encouragement is needed. I personally feel that I have a responsibility to provide support. When I attended an Energy Regulators Regional Association conference in 2017, I promised myself that I would become active in this field. Three years later, I managed to become chair of this organization. Today I head an association that represents 48 countries. It provides wide-ranging opportunities for implementing various projects to strengthen the energy sector as a whole, and the role of women in the sector. Through this association, I am currently initiating a project that will encourage women to become proactive in the energy sector. I therefore hope that the role of women in this field will improve in the future. **S**

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# GEORGIAN BILLIONAIRES



**At various times, the Forbeslist of global billionaires has included four Georgians, two of whom have made this year's ranking. Mikheil Lomtadze is new on the list. However, Georgians account only for \$10 billion of the list members' total net worth of \$13.1 trillion.**

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**T**he Forbes list of billionaires now includes two citizens of Georgia. Mikheil Lomtadze is a new addition to the list of the world's wealthiest people. Through his business activities with the Kazakh fintech firm KASPI, Mr. Lomtadze amassed an estimated fortune of **\$3.8 billion**.

Along with Mikheil Lomtadze, Georgia is represented on the billionaires list by former prime minister Bidzina Ivanishvili.

Until 2020, the billionaires list also included the Russian-based businessman Alexander Japaridze, whose net worth was \$1.2 billion. However, he is no longer listed as a billionaire, and is ranked 125th in the index of richest businesspeople in Russia with a net worth of **\$950 million**.

Businessman David Yakobashvili was on the list of global billionaires in 2014. At that time, Forbes estimated his fortune to be worth **\$1.2 billion**. According to Forbes Russia, he is currently worth **\$700 million** and is the 173rd richest businessperson in Russia.

The combined wealth of Georgians who made the Forbes list is **\$10.25 billion**.

# Bidzina Ivanishvili

**Net worth: \$4.8 billion**

**Position in the global index: 589**

**Age:** 65

**Source of wealth:** Investments

**Citizenship:** Georgian

**Place of residence:** Tbilisi

**Marital status:** Married

**Children:** 4



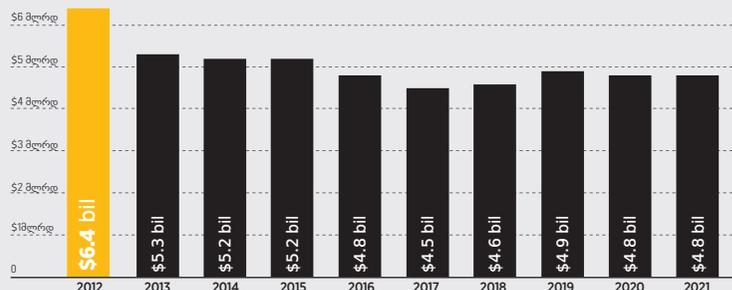
Georgia's wealthiest man, Bidzina Ivanishvili, amassed his fortune in Russia during the 1990s. He co-founded one of Russia's first commercial banks, RossiyskyKredit. He was also involved in Russian real estate, metallurgy and the pharmaceutical industry.

Mr. Ivanishvili managed his investments in the Russian Federation through the Unicorn fund. After announcing his entry into Georgian politics, he gradually sold his Russian assets. Shares in his metallurgical plants were purchased by billionaires Alisher Usmanov and Vasily Anisimov. In 2012, Mr. Ivanishvili also sold his shares in RossiyskyKredit.

Bidzina Ivanishvili started his business activities in Georgia in 1996 by founding Cartu Bank. The Cartu Group and the Cartu Charity Fund soon followed. In late 2020, the charity fund acquired the assets of the Tourism Development Fund, which included the Paragraph Hotel in Shekvetili and the Panorama project in central Tbilisi.

Bidzina Ivanishvili also owns the assets of the Co-Investment Fund, which invests in manufacturing, agriculture, real estate, and energy.

Wealth over the Years





# Mikheil Lomtadze

**Net worth: \$3.8 billion • Position in the global index: 832**

**Age:** 45 • **Source of wealth:** Fintech and investments • **Citizenship:** Georgian • **Place of residence:** Almaty  
**Marital status:** Single • **Education:** Harvard MBA

Mikheil Lomtadze has been CEO of Kaspi Bank in Kazakhstan since 2007. Digital transformation has allowed Kaspi to become the country's largest fintech company. The company's initial public offering on the London Stock Exchange in October 2020 ensured that Mr. Lomtadze and the Chairman of the Board of Supervision at Kaspi, Vyacheslav Kim, made the Forbes list of billionaires.

Mikheil Lomtadze was born on 17th October 1975 in Batumi. He obtained his bachelor's degree from the European School of Management in Tbilisi, before continuing his studies at Harvard Business School, graduating with an MBA degree in 2002.

Mr. Lomtadze started his business activities in Georgia, founding the auditing firm GCG Audit in 1995. The company became part of the Ernst&Young Group several years later.

Since 2002, Mikheil Lomtadze has held the position of Investment Manager at the Baring Vostok Capital Partners investment fund, becoming a partner in 2004. The investment fund later became one of the leading shareholders and investors in Kaspi Bank. Mr. Lomtadze assumed the position of CEO of Kaspi Bank in 2007.

# Alexander Japaridze

**Net worth: \$950 million**  
**Position in Forbes Russia index: 125**

**Age:** 65  
**Source of wealth:** Oil production and investments  
**Citizenship:** Russian  
**Place of residence:** Moscow  
**Education:** Moscow Oil Institute  
**Marital status:** Married  
**Children:** 5

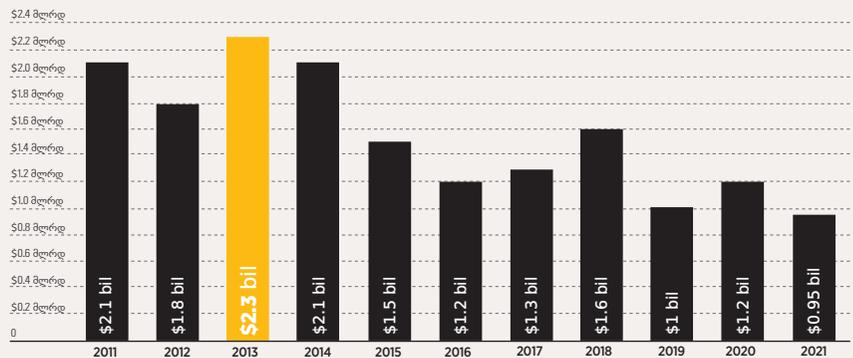


According to Forbes Russia, businessman Alexander Japaridze's fortune is currently worth \$950 million. He was part of the Forbes Billionaires List in 2012. At that time, the international publication estimated his net worth to be \$1.2 billion.

Alexander Japaridze made his fortune in the oil exploration and production sector. He founded Petro Alliance in 1995, selling the company several years later. In 2004, he purchased a Lukoil subsidiary firm for \$130 million and established the Eurasia Drilling Company on its base. The organization currently employs 18,000 people. It earned \$1.6 billion in revenues in 2019, \$1.65 billion in 2018, and \$2 billion in 2017.

In 2015, Schlumberger announced that it was purchasing 50% of shares in Eurasia Drilling Company. However, the deal collapsed due to the deteriorating relationship between Russia and the West.

Wealth over the Years



# David Yakobashvili

**Net worth: \$700 million**

**Position in the Forbes Russia index: 173**

**Age:** 64

**Source of wealth:** Investments

**Citizenship:** Russian

**Education:** Tbilisi Technical University (did not graduate)

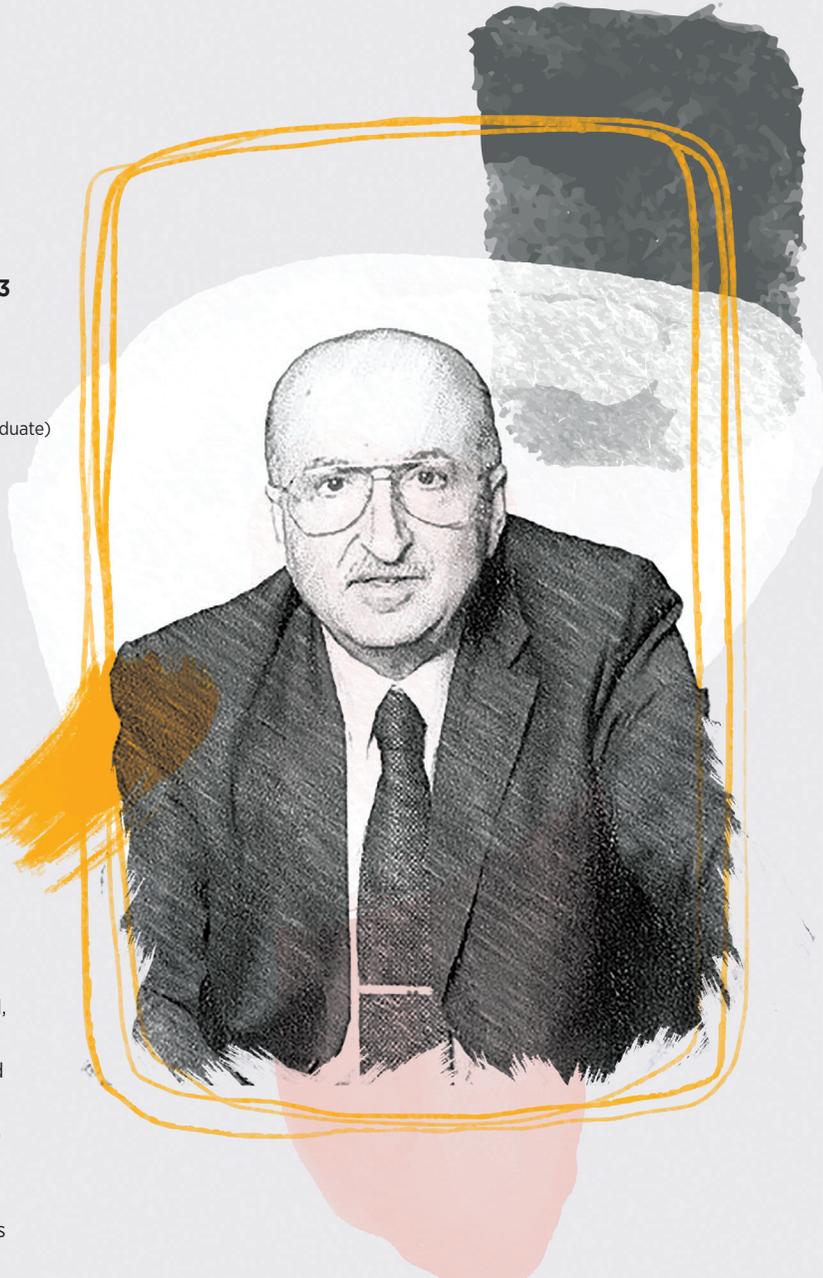
**Marital status:** Married

**Children:** 1

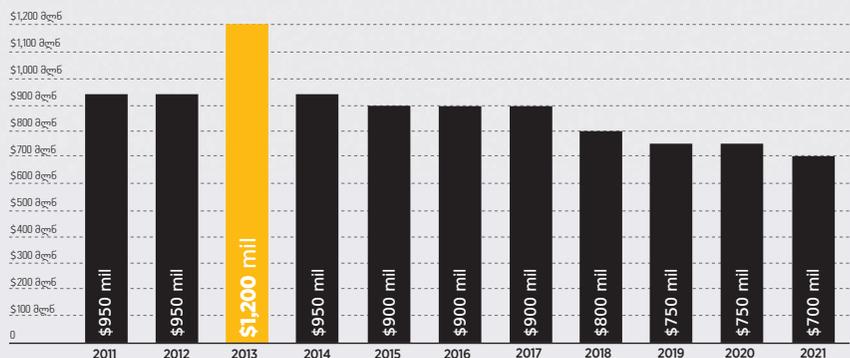
Forbes Russia estimates businessman David Yakobashvili to be worth \$700 million. According to Forbes, his net worth reached a high of \$1.2 billion in 2014. At that time, he was on the list of global billionaires. He is currently the 173rd richest person in Russia.

David Yakobashvili is the co-founder of Wimm-Bill-Dann Foods, one of Europe's largest manufacturers of dairy products and fruit juices. The company was purchased by PepsiCo in 2010, as a result of which, Mr. Yakobashvili received \$600 million for his 10.5% stake. Apart from the food industry, he is also involved in the oil business. In 2011, he founded Petrocas Energy, which owns the entire network of Gulf petrol stations and an oil terminal. The Russian energy giant Rosneft purchased a 49% stake in the group in 2014.

In 2019, David Yakobashvili opened the Sobranie museum in Moscow, which displays classical art.



Wealth over the Years



# A BILLIONAIRE A DAY

## IPOs

Since mid-March 2020, 1,489 IPOs (including SPACs) raised \$314 billion globally. More than half went public in the U.S., where they raised \$277 billion. These 10 billionaires land on the list as a result of such public offerings.

**Pan Dong**  
\$8.3 billion • Consumer goods • Canada  
The richest woman new to this year's list, she chairs laundry detergent maker Blue Moon Group Holdings, which listed in Hong Kong in December. Her husband, Luo Qiuping, is the company's CEO.

**Vyacheslav Kim**  
\$3.3 billion • Fintech • Kazakhstan  
**Mikhail Lomtadze**  
\$3.2 billion • Fintech • Georgia  
CEO Lomtadze and chairman Kim have steered Kaspi—a payments, e-commerce and mobile-banking app used in Kazakhstan—from a small-time retail bank to a London public listing. Half of Kazakhstan's 18 million people use the service.

**Pablo Legorreta**  
\$2.9 billion • Investments • U.S.  
The former investment banker founded private equity firm Royalty Pharma in 1996 to buy future revenue streams of pharmaceuticals. He took it public on the Nasdaq in June.

THIS YEAR, FORBES TRACKED DOWN A RECORD 493 NEW BILLIONAIRES—ROUGHLY ONE EVERY 17 HOURS. JUST OVER 40% HAIL FROM CHINA; 20% FROM THE U.S. PROMINENT ROUTES TO NEW RICHES: IPOs, SPACs, CRYPTOCURRENCIES AND COVID-RELATED HEALTH CARE.

**Matt Moulding**  
\$2.9 billion • E-commerce • U.K.

His e-commerce empire, The Hut Group, went public in London in September. Two months later he got a \$1 billion share bonus that the board had approved.

**Tony Xu**  
\$2.8 billion • Food delivery service • U.S.

Xu is cofounder and CEO of food delivery company DoorDash, which listed on the NYSE in December. It delivers meals from 390,000 restaurants in the United States, Canada and Australia.

**Jared Isaacman**  
\$2.3 billion • Payment processing • U.S.

Isaacman, 38, founded payment processing firm Shift4 Payments in his parents' basement at age 19 and took it public on the NYSE in June. He flies fighter jets for fun, including a Soviet-era MiG-29.

**Bang Shi-hyuk**  
\$2.3 billion • Entertainment • South Korea

Founder of music label and agency Big Hit Entertainment, which represents the wildly popular K-pop band BTS, he took the company public on the Korea Exchange in October.

**Gong Yingying**  
\$2.1 billion • Health IT • China

She is CEO, chair and founder of health-care analytics firm Yidu Tech, which listed its shares in Hong Kong in January.

**David Helgason**  
\$1 billion • Software • Iceland

Helgason cofounded video-game software developer Unity Software in Denmark in 2004 and served as CEO until 2014; the company listed on the NYSE in September.



# WHITNEY WOLFE HERD

\$1.3 billion • Dating app • U.S.

Wolfe Herd, 31, took her woman-centric dating app, Bumble, public in February—becoming the world's youngest self-made female billionaire. The \$582 million (revenue) company has 42 million customers in 150 countries. She cofounded dating app Tinder in 2012. That relationship turned sour, and she settled a sexual-harassment lawsuit with Tinder in 2014. Andrey Andreev, the Russian founder of dating site Badoo, offered Wolfe Herd a \$10 million investment and Badoo's infrastructure, and the duo launched Bumble in 2014. In late 2019, Andreev sold his majority stake to investment firm Blackstone, four months after a *Forbes* investigation revealed a toxic work culture at its London offices. Badoo denied the allegations.

# AUSTIN RUSSELL

\$2.4 billion • Sensors • U.S.

Russell, 26, spent his teens doing research at the University of California at Irvine's Beckman Laser Institute. The lanky 6-foot-4 entrepreneur dropped out of Stanford in 2012 to found laser lidar (an acronym for light, detection and ranging) startup Luminar Technologies after getting a \$100,000 fellowship from billionaire tech investor Peter Thiel. Its sensors now help self-driving cars of customers such as Volvo, Toyota and Intel's Mobileye see in 3D by bouncing laser beams off nearby objects and vehicles' surroundings. The company listed on the Nasdaq via a SPAC merger with Gores Metropoulos in December 2020. Russell, who owns about one-third of it, became the world's youngest self-made billionaire overnight.



## SPACs

Special purpose acquisition companies, or SPACs, have become all the rage. More than 500 of these “blank-check” companies have gone public in the U.S. in the past year, nearly seven times the number in the previous year. But only a handful minted new billionaires.

Mat Ishbia  
\$9.7 billion • Mortgage lending • U.S.

Justin Ishbia  
\$3 billion • Mortgage lending • U.S.

The Ishbias' father, Jeff, launched a mortgage firm in 1986. Mat joined the mom-and-pop outfit in 2003. He and his brother Justin, a private equity investor, eventually bought most of their dad's stake in United Wholesale Mortgage. Now the nation's second-largest mortgage lender, UWM merged with the Gores Holdings IV SPAC in January; Mat is CEO and Justin is a board member.

Andrew Paradise  
\$2.3 billion • Mobile games • U.S.

Skillz, the e-sports company Paradise cofounded in 2012, provides a mobile platform for developers to host daily tournaments of games like solitaire and bingo. Its \$230 million in revenue comes from its cut of users' entry fees.

William Foley  
\$1.9 billion • Financial services • U.S.

The former insurance tycoon was quick to capitalize on the SPAC boom, sponsoring six blank-check companies to date. Two have recently announced mergers—with cloud-based software provider Alight Solutions and digital-payments platform Pay-safe—in deals valued at just over \$7 billion and \$9 billion, respectively.

Shalom Meckenzie  
\$1.7 billion • Sports betting • Israel

His gambling-technology provider, SBTech, merged with sports betting site DraftKings and went public via a SPAC in April 2020. He serves on the board and is one of DraftKings' largest shareholders, with a nearly 6% stake.

Geeta Gupta-Fisker  
\$1.6 billion • Electric vehicles • U.K.

Henrik Fisker  
\$1.6 billion • Electric vehicles • U.S.  
Famed car designer Henrik Fisker and his wife, Geeta, who has a Ph.D. in biotech, took their eponymous EV maker public in October; production of its first vehicle, a midsize SUV, is planned to start in late 2022.

Trevor Milton  
\$1.4 billion • Electric vehicles • U.S.

His hydrogen-electric truck startup, Nikola, went public via a SPAC in June 2020. He resigned as chairman in September after allegations by a short seller that he lied about Nikola's technology to investors, spurring a review by the SEC.

Chamath Palihapitiya  
\$1.2 billion • Facebook, venture capital • U.S.

After helping open the SPAC floodgates by taking Richard Branson's space tourism company, Virgin Galactic, public in 2019, SPAC sponsor and venture capitalist Palihapitiya acquired two more firms via SPACs in the past year: homebuying marketplace Opendoor and insurance company Clover Health.

## CHINA

The world's most populous nation boasts a record 626 billionaires (excluding Hong Kong and Macau); its red-hot stock market helped mint 205 new ten-figure fortunes, with half coming from manufacturing or tech. All but two were self-made. Here are 11 standouts.

**Chen Zhiping**  
\$15.9 billion • E-cigarettes

The founder of the world's largest manufacturer of vaping devices, Smoore International, Chen took the firm public on the Hong Kong Stock Exchange last July.

**Li Hua**  
\$7.1 billion • Financial services

An early employee at Tencent, Li founded Nasdaq-listed online brokerage Futu Holdings in 2007. The Robinhood-style fintech boasts nearly 12 million users.

**Wang Junlin**  
\$6.3 billion • Liquor

The turnaround artist revived two state-owned companies before arriving at struggling liquor producer Sichuan Langjiu in 2001. It now churns out more than 40,000 tons of alcohol a year.

**Wang Ning**  
\$6.3 billion • Toys

In December, Wang took public his toymaker, Pop Mart, which is known for concealing the identity of its figurines in "blind boxes."

**Jian Jun**  
\$5.6 billion • Biomedical products

Her Shenzhen-listed Imeik Technology Development makes medical cosmetic products like skin fillers and facial implant threads, as well as face and neck masks.

**Cao Renxian**  
\$5.3 billion • Solar power

A university professor, Cao founded Sungrow Power Supply in 1997. Its products, used in 150 countries, convert direct-current electricity from solar panels into alternating current for the power grid.

**Steven Meng Yang**  
\$4.2 billion • Electronics

A former Google engineer, he founded popular Amazon seller Anker Innovations Technology, known for its battery packs, phone chargers and other electronic accessories.

**Liu Fangyi**  
\$4.2 billion • Medical equipment

Stock of his Intco Medical Technology, which makes disposable medical products like masks and gloves, shot up 650% in the past year amid the pandemic.

**Li Xiang**  
\$4 billion • Electric vehicles

The 39-year-old founded NYSE-listed online car dealer Autohome before creating electric vehicle startup Li Auto, which debuted on the Nasdaq last July.

**Jin Baofang**  
\$3.9 billion • Solar panels

Jin is founder and chair of JA Solar, a Beijing-based solar panel producer that boasts 33,000 clients in 135 countries and regions.

# KATE WANG

\$5 billion • E-cigarettes

One of the world's youngest self-made female billionaires, Wang, 39, is CEO of Chinese vaping company RLX Technology. The Columbia Business School grad got the idea for the company in 2017, when she was trying to persuade her father to quit smoking. "I tried out all the [vaping] products. Most of them were terrible," she tells Forbes. RLX posted \$324 million in sales in the first nine months of 2020 and listed on the New York Stock Exchange in January. Wang has a 20% stake. Shares fell 54% over three days in late March (after Forbes measured net worths for the Billionaires list) in response to Chinese authorities publishing draft rules that would regulate e-cigarettes as tobacco products.



## SAM BANKMAN-FRIED

\$8.7 billion • U.S.

An MIT grad and former Wall Street trader, Bankman-Fried, 29, is the founder and CEO of quantitative crypto trading firm Alameda, which manages \$32 billion in Bitcoin and other major cryptocurrencies as well as their derivatives. He also founded Hong Kong-based crypto exchange FTX, which achieved unicorn status in January 2020, less than a year after its May 2019 launch. The exchange will soon replace American Airlines as the naming-rights sponsor of the home arena of the NBA's Miami Heat. The vast majority of Bankman-Fried's wealth is in FTX's equity and FTT tokens, the native cryptocurrency of FTX. In 2020, he gave \$5 million to a pro-Biden super PAC, making him one of the president's biggest donors.

## CRYPTO

Boom times (again) in cryptocurrency—Bitcoin has skyrocketed 800% since the middle of March 2020 and Ripple's XRP is up 200%—have landed these nine fresh faces on the list.

Cameron Winklevoss

\$3 billion • U.S.

Tyler Winklevoss

\$3 billion • U.S.

The twin brothers own an estimated 70,000 Bitcoin, plus the crypto exchange Gemini, which processes about \$200 million a day in trades. (See story, page 96.)

Michael Saylor

\$2.3 billion • U.S.

The CEO of software firm MicroStrategy made, and lost, a fortune during the first dot-com bust. He debuts now after snapping up Bitcoin ahead of the boom—for both himself and his company—pushing its stock up.

Jed McCaleb

\$2 billion • U.S.

He created Mt. Gox, the first major Bitcoin exchange, before cofounding Ripple in 2012. He soon left due to reported disagreements with fellow founders but still holds an estimated 3.4 billion XRP, Ripple's token.

Fred Ehrsam

\$1.9 billion • U.S.

The former Goldman Sachs trader owns 6% of crypto exchange Coinbase, which he cofounded in 2012 and which is poised to go public on the Nasdaq; he remains a board member.

Barry Silbert

\$1.6 billion • U.S.

His Digital Currency Group, a conglomerate of five blockchain-focused companies, includes crypto asset manager Grayscale, which oversees some \$44 billion worth of Bitcoin, ether and other assets.

Tim Draper

\$1.5 billion • U.S.

The Silicon Valley VC bought \$18.7 million worth of Bitcoin confiscated by U.S. Marshals from the shuttered Silk Road black market in 2014. They are now worth \$1.5 billion.

Matthew Roszak

\$1.5 billion • U.S.

A longtime crypto evangelist, Roszak worked in venture capital and as an entrepreneur before amassing a portfolio of Bitcoin, ether and other cryptocurrencies starting in 2012.

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Research: Sue Radlauer Photo Research: Merrilee Barton, Gail Toivanen Database: Dmitri Slavinsky

Acknowledgements: Special thanks to Sara B. Potter, FactSet Research Systems, Orbis by Bureau Van Dijk, PitchBook Data, Real Capital Analytics, Reonomy, S&P Capital IQ, VesselsValue and the other experts who helped us with our reporting and valuations.

## COVID-19

At least 40 new billionaires join the list this year thanks to their involvement in the global effort to fight the Covid-19 pandemic. Some made their fortunes developing new vaccines and promising antibody treatments, while others sell much-needed diagnostic tests and personal protective equipment.

Stéphane Bancel  
\$4.3 billion • Biotech • France

Shares of Moderna, where he has been CEO since 2011 and whose Covid-19 vaccine was approved in the U.S. in December, rose 319% in the past year.

Uğur Şahin  
\$4 billion • Biotech • Germany

The Turkish-born physician cofounded BioNTech, which developed a Covid-19 vaccine in partnership with Pfizer; his wife, Özlem Türeci, is chief medical officer. The stock doubled since mid March 2020.

Yuan Liping  
\$3.6 billion • Pharmaceuticals • Canada

Yuan got a 24% stake in Chinese vaccine producer Shenzhen Kangtai Biological Products after her divorce from the company's chairman (and fellow billionaire), Du Weimin, last year.

Hu Kun  
\$2.5 billion • Medical devices • China

Chairman of newly public Contec Medical Systems, which makes pulse oximeters and devices used to check lung conditions.

Noubar Afeyan  
\$1.9 billion • Biotech • U.S.

The founder of life-sciences VC firm Flagship Pioneering, through which he owns shares in a dozen publicly traded biotech companies, is also chairman of Moderna.

Carl Hansen  
\$1.8 billion • Biotech • Canada

Former college professor cofounded AbCellera Biologics to identify antibody treatments; it partnered with Eli Lilly, which led to an FDA-authorized Covid-19 therapy.

Robert Langer  
\$1.6 billion • Biotech • U.S.

One of four new Moderna billionaires, the MIT professor dubbed "the Edison of Medicine" owns a 3% stake in the company, which he helped start in 2010.

Arvind Lal  
\$1.5 billion • Laboratories • India

Shares of his listed diagnostics chain, Dr. Lal PathLabs, soared 57% amid the pandemic as it ramped up testing for Covid-19.

Prathap Reddy  
\$1.5 billion • Hospitals • India

A doctor, he runs publicly traded hospital chain Apollo Hospitals Enterprise. Shares doubled in the past year amid the hospitals' focus on treating and diagnosing Covid-19.

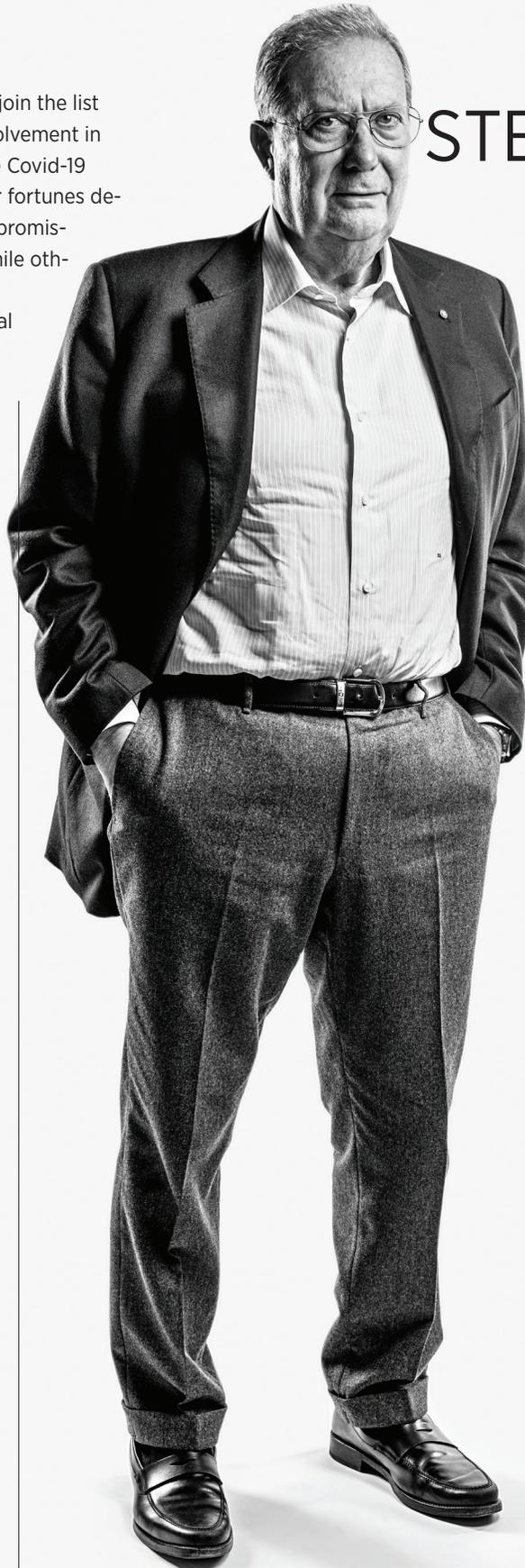
Jack Schuler  
\$1.1 billion • Diagnostics • U.S.

Former Abbott Labs president, now a biotech investor, he owns 7% of diagnostics firm Quidel Corp., which makes Covid-19 tests.

# SERGIO STEVANATO

\$1.9 billion • Medical packaging • Italy

Covid-19 vaccines are housed in tiny glass vials—many of them made by the family-owned Stevanato Group, where Stevanato, 78, is the chairman of the board emeritus. Stevanato Group is supplying vials for about 15% of the Covid-19 vaccines tracked by the World Health Organization. That includes 100 million vials shipped to a Gates Foundation-backed group that's helping to scale 10 different vaccines, including those from Moderna and AstraZeneca. Founded on the outskirts of Venice in 1949 by Sergio's father, Giovanni, the Stevanato Group started out making glass bottles for wine before pivoting to the pharmaceutical industry in the 1960s. Sergio stepped down as CEO in 2010 but still owns a 68% stake in the company; his son Franco is executive chairman.



# HOW THE GATES' SPLIT COULD STACK UP AGAINST THE BIGGEST BILLIONAIRE DIVORCES

BY RACHEL SANDLER AND NOAH KIRSCH

**B**ill and Melinda Gates, the influential billionaire couple in charge of the world's largest private foundation, are divorcing after 27 years of marriage, the pair said Monday in separate announcements on Twitter.

In the divorce filing, the couple said their marriage is "irretrievably broken." Bill and Melinda will remain co-chairs of The Bill and Melinda Gates Foundation, and they will continue to work together to shape the strategies of the foundation and set the organization's direction, according to a spokesperson.

The shock announcement leaves several questions about the Gates fortune unanswered. It's unclear how the couple will divide their assets or whether they signed a prenup, but due to the sheer size of their fortune, the split will likely be one of the largest divorce settlements in history. Bill Gates, who in 1975 cofounded Microsoft, is worth \$130.5 billion, making him the fourth richest person in the world, according to Forbes. Gates first became the world's richest person—with a \$12.9 billion fortune—in 1995, one year after he married Melinda. According to the divorce petition, Bill and Melinda are currently separated and signed a contract dictating how the couple will handle finances while living apart. They asked the court to divide their assets based on the terms of the separation contract, but details of the contract weren't disclosed. The filing does not mention

a prenup, but that doesn't mean they don't have one, since they aren't obligated to disclose everything on the filing.

Complicating matters is the fact that Washington, where the Gates family resides, is a community property state. That means all assets acquired by either party during a marriage are considered communal and typically split equally during divorce in the absence of a prenup. Though in Washington, the parties can agree to divide their assets in a way that is "just and equitable," which can result in settlements that aren't necessarily 50/50. Janet George, a divorce attorney at Washington-based law firm McKinley Irvin, told Forbes. Take Jeff Bezos and his ex-wife MacKenzie; Jeff gave MacKenzie one quarter of his Amazon stake in their divorce settlement. If Bill and Melinda did decide to split the fortune equally, Melinda would be worth \$65.25 billion, which would be more than MacKenzie Scott, Amazon founder Jeff Bezos's ex-wife, who is worth \$59.8 billion (Scott did donate nearly \$6 billion of her fortune to charitable entities last year).

Forbes assembled a list of the largest billionaire disunions on record—at least where we could follow the money. In some cases, like the split between Google's Sergey Brin and Anne Wojcicki, we don't know the size of the settlement because divorce filings were sealed.





## 1. Jeff Bezos and MacKenzie Scott

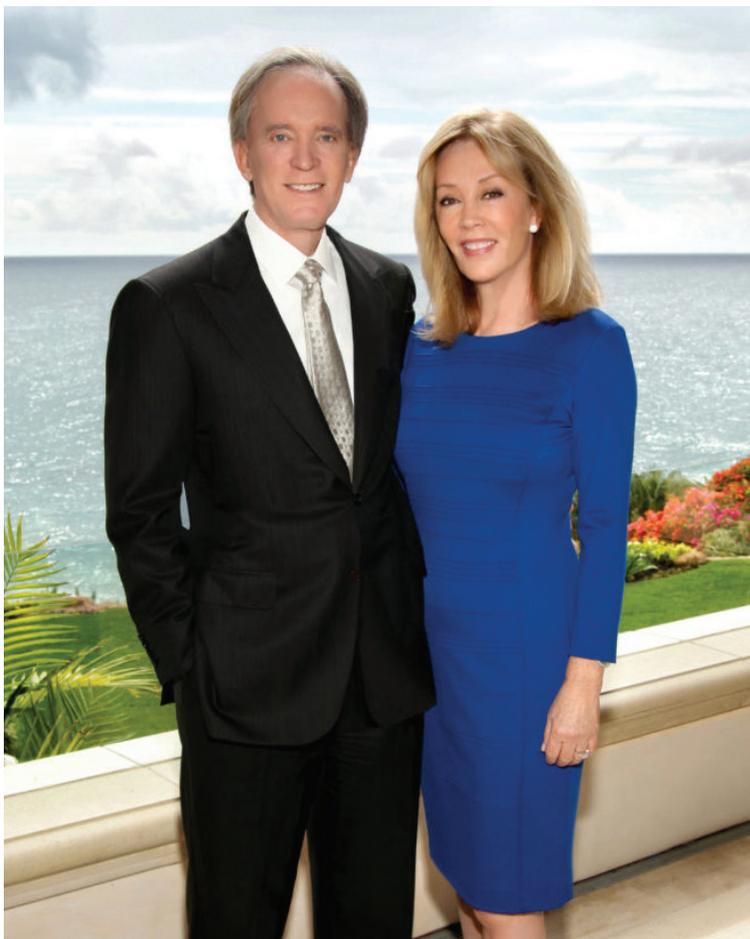
AT LEAST \$35 BILLION

The couple met while both were working at the hedge fund D.E. Shaw in New York. After they moved to Seattle, MacKenzie helped Jeff get Amazon off the ground. In April 2019 they announced the terms of their divorce: She received about 4% of Amazon's outstanding shares—worth over \$35 billion in 2019 when the settlement was announced (and far more now, with Amazon stock up nearly 75% since then). Jeff held on to all of the rocket company Blue Origin and the Washington Post. Once the divorce was finalized, MacKenzie, who changed her last name to Scott in 2020 and got remarried in March 2021, became the world's third-richest woman.

## 2. Bill and Sue Gross

\$1.3 BILLION

The Grosses' messy split minted a new billionaire and dragged down another. Sue filed for divorce in 2016 from her husband, the founder of asset-manager Pimco, and she walked away a year later with a \$1.3 billion fortune. That haul included a \$36 million Laguna Beach house and "Le Repos," a contested 1932 Picasso painting that she later sold for \$35 million. While Bill tried to hang on to one of their three pet cats, Sue eventually got custody of all of them. Bill lost his spot on The Forbes 400 in 2018 following 14 consecutive years on the list. Both now run their own charitable vehicles.



### 3. Steve and Elaine Wynn

\$850 MILLION

The cofounders of the casino giant Wynn Resorts divorced (for the second time) in 2010. That settlement dictated that Elaine, a Wynn Resorts board member since 2002, receive 11 million shares, then worth an estimated \$795 million. Steve also sold around \$114 million in stock that year—some, if not all, went to Elaine as part of the deal. She then sued Wynn Resorts in 2012 to sell part of her 9% stake and was kicked off the board three years later amid an ugly proxy battle.

After Steve stepped down as CEO and chairman in February 2018 amid sexual harassment allegations that he has denied, he sold all his shares. Elaine, now worth \$2.3 billion, is Wynn Resorts' largest individual shareholder.



### 4. Harold Hamm and Sue Ann Arnall

\$975 MILLION

After three years of bitter court proceedings, oil tycoon Harold in 2015 tried to finally end his 26-year marriage with Sue Ann (no prenup) by writing her a check in the amount of \$974,790,317.77 from his Morgan Stanley account. She deposited it, but then changed her mind, decided she wanted more and filed an appeal seeking a bigger share of the then-\$13.7 billion fortune tied to Hamm's 75% ownership in publicly traded Continental Resources. In April 2015 the Oklahoma Supreme Court ended the saga, granting Harold's motion to dismiss her appeal, reasoning from precedent that Sue Ann had agreed to the settlement by signing and depositing the check. Sue Ann subsequently funded a political action committee that succeeded in its effort to unseat the judge who presided over the divorce.

### 5. Roy E. and Patricia Disney

\$600 MILLION

Roy and his wife filed for divorce in 2007 at the ages of 77 and 72, respectively, after 52 years of marriage. Roy, a nephew of Walt Disney, was worth approximately \$1.3 billion at the time. Previously a Forbes 400 mainstay, he lost nearly half of his fortune in the split and was dropped from the list. In 2008, he married writer and producer Leslie DeMeuse. He died a year later; Patricia died in 2012. A family foundation with assets of \$122 million (as of 2018) bearing both of their names supports environmental and economic causes.





# HI-TECH PROBLEM SOLVERS

In May 2021, the global leader in digital automotive merchandising software and data - SpinCar - announced the acquisition of Pulsar AI, creator of the auto industry's most advanced conversational AI platform, and so Pulsar AI became part of an interesting puzzle on the global market. Through this acquisition, Pulsar's automated communication technology was integrated into the SpinCar platform and Pulsar's thirty employees became part of SpinCar's expanded global Product, Operations and R&D organization. Although behind this global success stands a great team; Dachi Choladze, Zaal Gachechiladze and Sopo Chkoidze were the individuals who made the leap forward in the Georgian tech industry five years ago and made everyone believe in the unbelievable.

BY ELENE CHOMAKHIDZE  
PHOTOS: KHATUNA KHUTSISHVILI

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**What benefits did the deal with SpinCar bring to you in terms of reputation and what are the financial implications of this deal?**

**Dachi:** When we started the business, we bootstrapped our company, and we provided our services directly to our customers in Georgia. Since then we have always aimed to expand our reach to the US market and, as a result of moving in that direction, we attracted \$1.2 million of investment from Silicon Valley venture capital funds and private investors to fund our product journey in the states; with this amount we have been able to enter the US market and start selling our Conversational AI Solution there. The recent acquisition terms are confidential, so I am unable to disclose the exact value of the transaction at this point, although I can openly say that this transaction includes both cash and SpinCar stock. Every shareholder (investors, option holders and advisors) who owns stock in Pulsar, be it an investor, an employee, or a founder, will receive both cash and share considerations from this deal. Therefore, the merger of Pulsar AI with SpinCar means that as SpinCar grows, the value of every shareholder's stock also grows -and as we continue to grow with enhanced motivation and resources, the value of SpinCar naturally increases. We are confident that over the next year and beyond, the valuation of SpinCar will grow exponentially.

**What has changed on a daily basis for Pulsar AI because of this deal?**

**Sopo:** American Pulsar had no experience in selling products in the United States beforehand and did not sell automotive software in Georgia. In 2019, We created a product that would attract US based car dealerships to implement a Conversational AI tool that would engage with their leads 24/7 and drive them to the store. It was a directly targeted product that we aimed to sell on the US market. Employees who have been involved in these processes continue to work with the same know how, and in the same direction as they did before. One clear goal is to scale our new customer on boarding process in a way to match the demand that we now have through SpinCar's more than 3,000 customers. SpinCar has a strong background in creating a product that sells and markets itself as a global leader. This leading company provides expert service in sales and marketing, and we, our end, develop and support the state-of-the art conversational AI platform. With the acquisition, SpinCar will have 120 employees, including 75 in its office in Icon Tower in downtown Syracuse. It also has offices in New York City, Toronto, and Manchester(England), and will take over Pulsar's offices in San Francisco and Tbilisi, the capital of Georgia. As a result of the Pulsar acquisition, SpinCar will expand its offices in New York (NYC and Syracuse), San Francisco, Tbilisi, Manchester and Toronto.

**Zaal:** We have united forces with SpinCar by joining this company, however, the product is still being developed by our team. We are trying to promote synergy, which was the motivation behind the merger of these two companies from the very beginning. The multimedia content

that SpinCar offers its clients has been integrated into our communication channels. These are two companies that did not merge simply because Pulsar generates revenue and that is the motivator, but because we are each one part of a puzzle and we fit together seamlessly. This synergy offers a higher quality of service to clients and increases the value of our service even more.

**Dachi:** We are continuing to develop this product and attract more customers to the US market, which in turn means we have a busy schedule for the next 12-24 months. SpinCar is very strong in sales and marketing and has an incredibly capable team - this allows us to make significant and more interesting changes in the automotive industry with the products we create. All this gives us a high degree of motivation. We believed years ago that we would make significant changes in the direction of artificial intelligence, and we managed to do it; this gives us both adrenaline and inspiration.

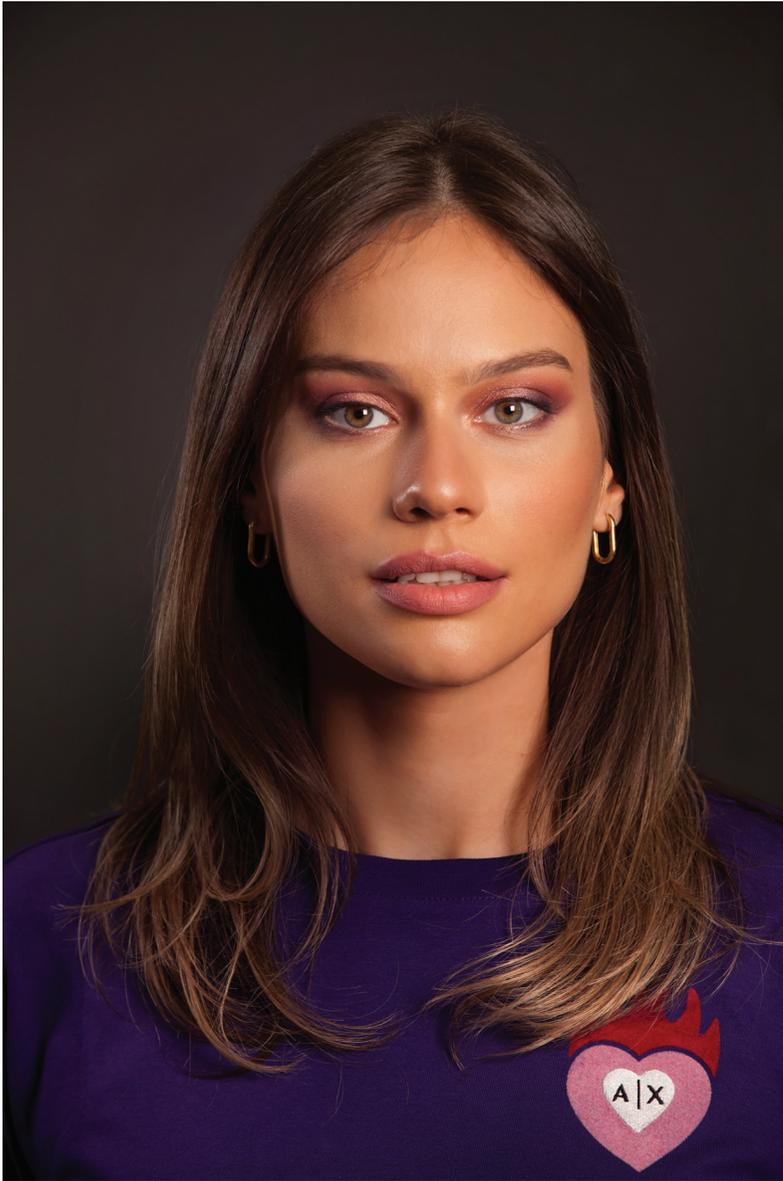
**Perhaps there is no need to ask why you decided to focus on America and more specifically on Silicon Valley. More to the point, when did you realize you were ready for America?**

**Zaal:** When we knew that we were already firmly "holding" this technology in Georgia, it also coincided in part with the fact that we went to the United States and met George Arison, who then actively supported the company and helped the team identify a unique opportunity in the auto retailing space. He is one of the most successful entrepreneurs in the automotive industry in Silicon Valley with a billion-dollar startup that has just made an initial public offering and their shares are being traded on the Nasdaq. It was with George that we learned about the problems in the auto industry. In general, the US is the land of opportunity. Especially Silicon Valley, which is actually the cradle for tech startups. The computer was created there, all the technology-related innovations that changed the world have come from Silicon Valley. Talent from all over the world is concentrated there. That is why the money that finances technology startups is concentrated there as well. Investors who are looking for talent and whose main job is to identify people with potential.

**In the case of America, where did you see the need for your product?**

**Sopo:** We encountered a slightly different situation in the United States. We were the first in Georgia to start working on artificial intelligence and automated chatbots, but there was already a company in the US that offered a solution to the problem. A similar product is even not the right definition, as they offered SpinCar a less functional virtual assistant when compared to us.

**Dachi:** When we did research regarding the companies working on AI on the American market, we noticed that there was a company called Conversica, which claimed that it could solve the problem of automatic answering software. However, this was a bit far from the reality, because



Sopo Chkoidze

when they received an email from a customer, Conversica returned a reply to that email and then informed the dealership that the customer was interested in the dealer's product / service. Pulsar's conversational AI platform leverages proprietary Machine Learning (ML) models and Natural Language Processing (NLP) combined with artificial intelligence technology to engage online shoppers in personalized two-way conversations. The company's technology increases the efficiency and effectiveness of dealership BDCs and internet sales operations by delivering immediate, relevant, and persistent follow-up to every online lead submission. Pulsar's automated communication capability can respond to an unlimited number of shopper inquiries via email or text.

### **What did you see as your competitive advantage on the American market?**

**Sopo:** For us, competitor analysis has become the starting point of something new. We analyzed their reports and articles about them, which gave us unique insight into how a product can be put together that will be sold easily. After this, we added features that we consider to be our competitive advantage or made the service more efficient, flexible and of a higher quality over time.

**Dachi:** The presence of a competitor in the American market was the biggest contributing factor for us. This helped us see what customers disliked about the service SpinCar provided, and we corrected these errors. We analyzed that when a customer sends a question, he or she needs an answer in a timely manner. The solution to this problem has become the main target for our team. We can see that these questions revolve around mainly one issue. Our core task was to find out what the main questions were and to work on issuing timely and effective feedback on them. Furthermore, the fact that the services and issues of this company were already known to everyone in that market and the definition of the problem was already clear to everyone was also extremely helpful. When we talked to dealers, they already had knowledge of this problem. Having a competitor in the US market has a beneficial side and can bring a real advantage.

### **The fundraising chronology is interesting, how did you increase investor interest in Pulsar AI?**

**Dachi:** When we first started fundraising, I discovered that you do not go directly to investors and talk about millions. You go to numerous investors and talk about small amounts, \$10,000, \$20,000 or \$30,000. So, you raise that first crucial amount, which in turn helps you find the next investment. Even in Georgia, when you try to raise money, it is not necessary to ask one investor for \$50,000, but it is better to go to five and talk about \$10,000. I would recommend this to all novice entrepreneurs. It is also extremely important that if you want to start a business in the US, it is necessary to be a part of American everyday life for at least some time, communicate with people and get advice from those who run into these problems daily, and these are the problems that you potentially want to work on. We raised some money in Silicon Valley, returned to Georgia and attracted more investment from a few investors here, then went back to the US and furthered

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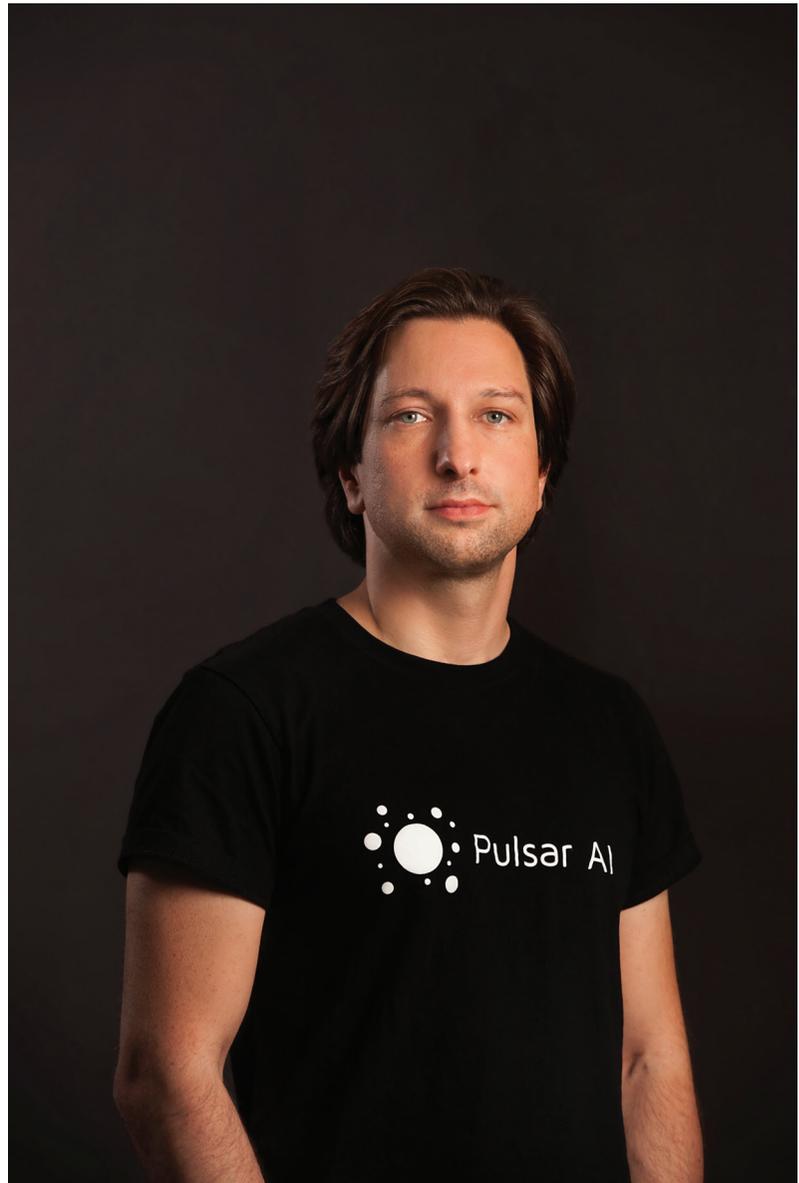
our fundraising in the summer of 2019, and after raising about a million dollars, we invested in an application for a GITA grant, which was 650,000GEL. It turned out that we had attracted overall about \$1.2 million by that time.

**Sopo:** We had a practice run with the Georgian investors before going to the US. We were finalizing the pitch deck and the talking points in parallel. Before this deal there were a lot of exciting processes and partnership agreements, on the basis of which we would work –sometimes even directly in the CRMs used by dealers. We went through the certification process, which included a lot of administrative-financial issues to sort out, so that the team could get their first client. The most important thing for our team was desire and motivation, and as a result, we got a proper system.

“Pulsar’s team of deep learning specialists, developers, data scientists, linguists, and operations personnel have developed some of the most powerful conversational AI capabilities available today. We are thrilled to welcome them to the SpinCar family, and we look forward to leveraging Pulsar’s expertise and technology innovations to deliver even greater business results for dealers of all sizes and types,” said Devin Daly, SpinCar Co-Founder and CEO. Being an example in the field in which you work is probably a great responsibility along with a joy. From the beginning did you intend to start everything from scratch?

**Zaal:** There is a book titled ‘Zero to One’, which is an exceptionally good example for all entrepreneurs, especially when it comes to tech startups. Although the niche you choose may be very narrow, it serves to solve a unique problem, which is an ideal springboard for generating resources and capital, which then contributes to growth. After finding a niche, you start solving the adjacent problems and this is also a precondition for growth. Our way was exactly that. We decided to solve a problem that existed in the Georgian language. It was a kind of a micro niche, because Georgia is a micro zone, the automated processing of the Georgian language and the construction of so-called conversational AI (chatbots) around it is an even narrower niche.

**Dachi:** If you are willing to enter the market, you have to do something that will help you with this and if you create something that is needed in the market, then your place is guaranteed. As for being an example to other entrepreneurs, first, it turns out that it is possible to create a successful startup in Georgia and get to Silicon Valley with this startup, see success there, attract funding and develop globally. Obviously, many may



Zaal Gachechiladze

have tried this, but the fact is that no one has reached this stage before. As part of my responsibility, I would say that it is particularly important to share our success story with people so that our story actually helps them with their work and motivation. Inspiration must be tangible. There are a lot of things in the work of startups that look completely different from the outside, and we want to help people look inside at the work we do and see which path we took.

**What do you mean by people looking inside at the work you do?**

**Dachi:** Everyone who hears our story will probably think that we came up with the idea, went to the US,



Dachi Choladze

convinced investors of our idea, took money from them, and came back to Georgia. In fact, this did happen, but on the other hand, much more interesting things were happening that could happen to any entrepreneur. Thus, it was not just an idea. In the beginning it was an idea to create technological solutions that would make people's lives easier, but then we assembled a team in which we developed a style of work founded on a love to innovate and unity amongst us all. It is this fact that has given us the opportunity and motivation to create bigger things.

**When you started business in 2016, what was the situation in the technology market? What indica-**

**tion did you have that your services and ideas were needed by the market?**

**Zaal:** When you are eager to do something, you try to find a niche where you will not have competitors - in order to grow fast, you cover this field, and as a result, become the leader. You have a monopoly so to speak, until others imitate and follow you. This is what has happened in our case.

**Dachi:** Of course, it was risky, but risk is almost a daily occurrence in entrepreneurship. You are trying to do something for which there is no plan. Beyond the result that we achieved, there were many decisions that did not work out and put the right decisions at risk. However, if that risk is justified, it will bring you to where we are now.

**What do you think has changed with the appearance of Pulsar in the startup ecosystem?**

**Zaal:** From my point of view, we have changed the business culture in general in the country because, unlike when you work and sell your time and in return only get paid, we tried to give extra motivation to employees and make them a real part of the company. It is particularly important to us that our team members have a sense of ownership at every stage and realize that this company belongs not just to the founders. There are paths for this in the US and it is a common story there, but it was not easy to implement this approach in Georgia, because there were no examples that would make this strategy more convincing to the team. It was a bit difficult for us to generate motivation otherwise because there are much bigger banks that pay a lot more for the talent we were interested in, but they in turn do a poor job because although they bring in a lot of people and pay a lot, they don't provide enough to keep these people busy and accelerate their development.

**Do you think that being the first is the biggest competitive advantage in your case?**

**Dachi:** We offered a service to companies that no one else offered at that time. When we chose the field of artificial intelligence exclusively, this already gave us a niche. If someone needed a service related to artificial intelligence, Pulsar was immediately on their mind. Probably still the biggest competitive advantage was that our first customer was TBC Bank, the money we received from this project was fully allocated towards expanding the team and we started to create services

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that did not exist before in Georgia. This further solidified our advantage.

**Sopo:** I believe our advantage in the American market was more visible in terms of price, product and its quality. We are a group of people that focus on creating valuable and high-quality products that drive change and innovation. We are a startup that has done a lot more work in the Georgian language than any other startup in the US that has strived to create a natural language program. Having our technical and operations team based in Tbilisi (Georgia) helped us with maintaining a low runway and cash burn compared to other startups based in Silicon Valley. As for the product-based advantage, we are a group of people that focus on creating valuable and high-quality products that drive change and innovation. We had three important advantages. The advantage in terms of price was that we worked from Tbilisi and were able to cut costs in many directions, for instance, in the case of rent.

#### **What was the starting point and where are you now?**

**Zaal:** Dachi and I invested all our savings in the Georgian startup. We sat and thought for a month, after this we made a prototype of the first Georgian messenger chatbot, which we offered directly to TBC Bank. It was a very well-calculated step on our part. Of course, there was an element of luck, for example, Dachi met one of the representatives of TBC for a standard job interview, he listened carefully and finally said that he had actually come to them for a completely different reason. After this we introduced the product to TBC's management, and this is where our collaboration started.

**Dachi:** From my point of view, the experience with TBC Bank was especially important. From the very first day when Zaal and I said let's create this product and show it to someone, we were both only thinking about TBC Bank. Even when it was too early to talk about this project, we just had the idea, we already knew that TBC would be the first to be offered this product. TBC, then and now, has made quite obvious progress in the area of innovative technology compared to other companies locally. It was a very strategic step from our side. We were also incredibly lucky with the people we met at TBC Bank, and we were able to work with them for some time. It was also both interesting and useful that after signing the contract with them, they offered us the opportunity to work from their office, which allowed us to better follow their daily activities, thus making it

easier for us to access their needs.

#### **As you were at the forefront of the development of the technological field in Georgia, tell us during this period, how the startup ecosystem has changed in the country? What was the challenge then, and what is it now?**

**Sopo:** I would say that when we started the business in 2016, a startup ecosystem did not exist in the country at all. For example, we did not have access to information about startups that might have been operating in the country at that time. At this point, however, we have seen an increase in the number of entrepreneurs and startups. We have heard a lot of great ideas and have become members of many communities and a broader picture has emerged of what startups do and how they work. The culture of entrepreneurship has also become more interesting to the public.

**Dachi:** The existence of GITA created many opportunities for us, and not only for us, in the sense that a community was created in which knowledge was shared, people connected, got to know each other, and gathered more information. Additionally, a lot of activities and the constant process of something happening in this field, pushed many companies to grow and develop. A different culture has emerged in the startup ecosystem. There is already room for hi-tech startups, and GITA's contribution to this is huge. We have participated in many events with their support, including Startup Grind.

**Zaal:** From a legal point of view, the startup ecosystem has become more sophisticated, and there are benefits around taxation when providing services abroad from Georgia. We have set an example for ourselves that one can be successful in this field. This area has advanced both in terms of initiatives and in terms of state emphasis.

#### **What plans does American Pulsar have in the short term?**

**Sopo:** Right now, it is too early to talk about long term plans, but in the short term we are currently focusing on ensuring that the two teams merge as effectively as possible and bring more value together as one team.

**Dachi:** We are focused on growing a more sophisticated product and are fully committed to it. Entrepreneurship is what we relish, so it is our aspiration to find problems and solve them. We are problem solvers and no doubt we will continue in this way. **S**

# THE THREE PRINCIPLES

1.3 million customers and an increased market share despite the pandemic - Veon Georgia is meeting fresh challenges and opportunities with new CEO **Lasha Tabidze**.

BY ELENE KVANCHILASHVILI  
PHOTOS: KHATUNA KHUTSISHVILI

**L**asha Tabidze, 38 years old, CEO of Veon Georgia. We are talking to each other through Zoom. Nothing - not even face masks - reminds me of the realities of the pandemic as starkly as having to record a cover interview using an online platform. I adjust to the situation, press record, and the interview begins.

Lasha Tabidze has been employed by Veon Georgia for ten years. He has worked under four CEOs, studied every detail about the multinational firm, and acquired practical skills that allowed him to rise to the position of CEO.

In Lasha Tabidze's opinion, the main personal challenge for him during his time at the company was to showcase his skills not just at the local level, but also more broadly within the group. "This requires a completely different set of skills," he states, quickly adding that according to his philosophy, there are always two sides to the coin - wherever there is a challenge, there is also an opportunity.

This approach has served him well. He is now in charge of a company that is part of the VEON group, a global provider of connectivity and digital services.

Headquartered in Amsterdam, VEON serves 212 million customers in nine different countries, including Georgia. The company is listed on the NASDAQ and Euronext stock exchanges.

By February 2021, VEON Georgia managed to increase its market share in spite of the pandemic.

Lasha Tabidze is not frightened of the pandemic. He has experience in crisis management, albeit in a different company and a different sector. Throughout the interview, I get the impression that for him abstract experience does not exist. He collects knowledge and skills before implementing them in practice.

"I am very happy with how far I have come and where I am today. I accomplished all of this through my own and my team's hard work. I would like to believe that my success is down to my capabilities, rather than luck," says Lasha Tabidze.

It is clear that he relies on his strategic vision rather than luck. According to him, it does not matter what he is working on - whether he is selling alcohol products, insurance, advertising or SIM cards, he always adheres to the three principles of management: first, to have a vision and know in which direction you want to take the company; second, to know who your customers are and what you can do for them; and third, to work with the right people who can help achieve the first two components.





## Lasha Tabidze - CEO of Veon Georgia

Lasha Tabidze was appointed CEO of Veon Georgia on 15th-March 2021. Prior to that, he held the position of a Chief Operations Officer in the company between 2018 and 2021. He started at Veon Georgia as a Chief Commercial Officer. Overall, he has spent ten years working in the telecommunications sector.

Lasha Tabidze has many years of experience as an executive in the field of business management. In 2011, before moving to the position of Commercial Director at VEON Georgia, he worked in companies such as JSC Sarajishvili (as Commercial Director) and Vellagio Ltd. (Director for Business Development).

Lasha Tabidze studied economics at the Ruprecht-Karls University of Heidelberg in Germany and international business at Tbilisi State University. He is fluent in Georgian, English, German, and Russian.

### **Let us talk about these three components of your philosophy in greater detail, and start with vision - how will you make your mark, and how will you measure your success as company CEO?**

Most importantly, I will always remember what I said earlier about the two sides of the coin. My team will have a lot of freedom to develop themselves. This will happen not only through teamwork, coaching and collaboration, but also with the help of all the numerous resources that are at the company's disposal - educational projects, funded courses, licenses, and training. All of this comes with the freedom that we have spent years building, and is working right now.

### **In spite of the pandemic?**

2020 was a good test for us. We had long been advocating things such as having the freedom to work from anywhere you want and having a flexible schedule if you can get the work done. Last year proved that we had been employing the right approach for a long time. It has given us a great advantage, which will only become stronger in the future.

### **Are you talking about Agile? We are coming across this term quite a lot nowadays.**

We implemented Agile at our company in

2014. This was a significant experience for us. My assessment of our internal success depends on the satisfaction of our team and our employees, as well as the diversity of the workplace experience of our team members - for example, how many educational programmes they are involved in, how many rotations they undergo, and so on. There are no bad teams. There are teams that develop, and those that don't.

### **Does this depend on the manager?**

Yes, it does. I believe it is a sign of weakness for a manager to start changing his/her team instead of devoting all the energy and resources towards the development of team members and giving them the freedom to grow. In the 21st century, nobody can claim to fully know a profession anymore. Everything changes dynamically. It is, therefore, important to always be informed and ready to develop. Otherwise, you will quickly lose your competitive edge.

### **What is the other side of the coin?**

The other side of the coin is the outside - the company's external development. For example, when I first arrived at the company in 2015, we had no internet technology beyond 2G. We immediately devised a strategy to switch to 4G. We were the first company in Georgia to purchase the appropriate license and bring in this technology.

### **What was your role in all of this?**

My responsibility was to ensure that our business caught up with this innovation. You need to bear in mind that our group was investing tens of millions into the development of this network at a time when there were very few 4G mobile phones in the country. However, we devised a four-year strategy and managed to fully recover our investment in 2018. By that time, 4G users were already outnumbering users of other technologies.

### **What do you mean by that?**

Strategy is particularly important. The reality is that our company was already aboard the digital train in 2018, long before the pandemic. In our case, digital development is more than just words. We

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created our first application in 2016. We started focusing on e-commerce even though at the time there were only a couple of dozen consumers on this market. Today, there are half a million people actively using our app alone.

**How do you measure the success of the company? Is this also part of the vision?**

I tend to divide the success of the company into two parts. First, there are the financial and commercial figures that allow the company to continue to invest and grow. The second component is customer satisfaction and welfare. I use these two indicators to measure not only my personal success, but also that of my team and the whole company.

**How does your vision translate into specific products?**

We focus on implementing innovations. We have a chatbot, an application, a website, and digital terminals at our stores. We are an innovative company, as we have shown over the last few years. We introduced the concept of service rates in this country. We even digitalized our physical channels with self-service terminals. Here you can see our vision - we serve 1.3 million customers, which is a great responsibility. However, with responsibility comes the motivation to offer people what they need.

**How do you know what people's needs are?**

We know our customers very well. We carefully observe and listen to them. Take one of our latest products for example - as you know, there were no licensed music apps in Georgia. You either had to illegally download your music or use a lot of data to stream it. After studying this market and listening to our customers, we offered a special app. Indeed, not only do we ask our customers for feedback regarding our existing products, but we also always try to find out what they need and what they would like to see in the future. Based on this feedback, we recently launched the globally popular app that is available to Beeline customers as part of the 3 GB package. Consumers are incredibly happy.

In another example that comes to my mind, we identified a significant need for e-learning last year. Our company can directly contact big global

firms and platforms and tell them: "consumers in our country require a specific product or service, so let us talk about the ways to meet their needs and deliver what they are asking for." When you choose such a strategy, CSR activities become more consistent. Throughout the year, we offered students free or discounted internet access. The interests of our customers and our own interests are closely intertwined - without each other, they practically do not exist.

**To summarize the vision component - as the new CEO, what kind of company are you promising to build for your customers?**

This company will be an ecosystem and a hub that will fully utilize its substantial experience, its professional staff, and the wealth of its resources to try to create comfort for its customers, bring economic prosperity to Georgia and develop our business in a way that highlights the role of this company and our country across the whole group.

**On your list of universal managerial principles, the vision is followed by the customer. Who are VEON Georgia's customers?**

In the 21st century, the customer is part of any business. Based on the old marketing approach, a company had to guess in advance what customers might want, and then try to attract their attention through advertising. Successful companies then started to listen to customers. We were among the businesses to do so.

**How does this approach differ from the other approaches that you listed?**

If listening to customers and considering their interests becomes a priority for the company, then profit margins move into the background. The starting point is to gain and maintain customer loyalty. Then the vision changes, retaining customers and ensuring their satisfaction becomes the main priority. When customers are satisfied, they acquire new services, because they already trust the brand. In the long run, this represents a considerably more stable income than using the approach where more short-term profit can be achieved by raising prices.

**Do the customers themselves change?**

Customers have become more demanding. They are part of the business not only by constantly talking to us, but also by determining the future course of the company. In which direction should the company be moving tomorrow? Customers can answer that question. This is an especially important issue.

Does the competition change? I am asking because I have recently conducted numerous business interviews such as this one, and it has become apparent to me that there is a growing focus on the customer. For example, if banks were broadly in competition with the financial sector in the past, they are now competing with the whole retail sector. How does the expansion of competitive boundaries affect your business?

If you think back to the time when the internet brought the whole world together, we are now observing a similar process. The era of ecosystems is coming. Consumers no longer need to open hundreds of applications or websites and register themselves on every one of them. They dictate the whole ecosystem, telling us what they need to use, and what for. Moreover, they need to get it easily and quickly. What you mentioned earlier about various industries moving into different business sectors stems from customers. In the past, customers only required a call service, so that is what we provided. Now the reality is different, customers demand that companies are there for them anytime, anywhere, providing them with the services they need at that moment.

**Does this increased competition present a challenge or an opportunity for you?**

If we continue to listen to our customers and successfully predict how we can make things even more comfortable for them - save them time, create more synergy between companies and allow customers to complete all processes in a few steps - it will be a very good result. That is the reality today. Companies are uniting within ecosystems, exchanging information, and ultimately delivering a better product to the customer. This process is irreversible, and I believe it should not encounter any resistance.





**Does regulation constitute resistance?**

On the one hand, regulation is necessary to prevent monopolies on the market. However, there is another way of looking at things: our 1.3 million customers can currently transfer small amounts of money to each other, top up their balance, purchase products for each other, and now also send music as a gift. Everything is coming together. That is why I believe that the era of ecosystems is ahead of us, and the process cannot be stopped. If this is done correctly, in compliance with ethical business norms and by ensuring that customer data is protected, while at the same time creating new wealth for customers, then this can only be viewed positively. These dynamics will become increasingly visible and tangible. Around four years ago, we needed

to go through 6-7 steps to buy a product or service online. Today the number of steps is being revised, and I believe we are getting closer to the moment when one or two steps will be enough. This will only increase customer satisfaction.

**You mentioned a key word - security, which is closely related to simplicity and customer satisfaction. How has this market evolved in the ten years that you have been observing it directly?**

This market has become incredibly dynamic over the last five years. When I joined the telecom sector ten years ago, it was entirely dependent on technology. Today, service is as important as technology. Soon we will also be dealing with the challenge of electronic

SIM cards. This means that physical cards will no longer be needed, and it is still unclear where this will take us in terms of development. What we can say for sure is that with technology and service, the next step will be self-service. This is a relatively new concept that we have been developing for several years. Self-service must be simple enough for consumers to no longer need physical service points such as call centers or shops. Naturally, all of this will not completely disappear, as all businesses are currently using a hybrid development model - neither the online, nor the physical components are good enough on their own, and this is unlikely to change any time soon. As for the Georgian market, the telecom sector has been developing in a very dynamic and competitive environment. Significant mergers have taken place in recent years - first, involving MagtiCom and Caucasus Online, and then by Silknet purchasing Geocell. All of this has changed the situation on the market.

**We have naturally arrived to the third and final component of your universal principles of management - the team. Would it be fair to say that your team is one of the reasons why your company has managed to retain its position on the market despite the big rearrangements?**

The Veon Georgia team is exceptionally innovative. These are the kind of people I work with. From the very beginning, we decided to be an innovative company, and to constantly introduce and implement new things that may not become popular here until three to four years down the line - things that may initially have been developed only on western markets. Whenever we introduce tariffs, packages, or new services - be it music or other streaming - we are developing mobile services. Those are our dynamics.

Years ago, when we said we would measure customer satisfaction, people were surprised. They asked us what exactly we were measuring. However, this method ultimately helps us achieve our most valuable goal - to do business ethically. Before we process any information or introduce any novelties, we ask our customers if they want this to happen. Thankfully, our country has advanced data protection, as demonstrated by the presence of the Office of the Data Protection Inspector. As for our team and our company, it is in our DNA - a large part of our



**IF LISTENING TO CUSTOMERS AND CONSIDERING THEIR INTERESTS BECOMES A PRIORITY FOR THE COMPANY, THEN PROFIT MARGINS MOVE INTO THE BACKGROUND. THE STARTING POINT IS TO GAIN AND MAINTAIN CUSTOMER LOYALTY.**

investment is allocated to security and monitoring, and we only entrust the personal data of our customers to ultramodern systems.

People used to say that cash is king. Today, it is the content that is most important. If you have good content and can deliver it to customers when they need it, then you have a great opportunity to ensure both customer satisfaction and the company's profitability, which helps its subsequent development.

**In summary, what is your main message to your customers?**

First, keep safe, maintain hygiene, get vaccinated if you can, and show that you are acting responsibly towards yourself and others.

Second, we have created maximum comfort for you to adapt to the new reality. What I mean is that we promise you the smooth operation of all online services. We will also continue our development more intensively than ever. Our priority is to ensure that you feel comfortable and safe.

Most importantly, we care about you. We understand you, and will do everything to ensure that services are fast and accessible.

**Finally, what does the future hold?**

More digitalization is a certainty. The faster we adjust ourselves to this trend, the more we develop our digital skills, and the more we adapt ourselves to the online space, the more time we will have left to pursue other things. Most importantly, we will be better prepared for new and greater challenges that are sure to come. 

# WHEN THE MARKET LEADER IS YOUR PARTNER

When business clients face a challenge, they can rely on TBC and **Giorgi Tkhelidze** for support.

BY ELENE KVANCHILASHVILI  
PHOTOS: KHATUNA KHUTSISHVILI





Once the pandemic is over, our main leadership test will come in the form of feedback from our clients, and whether or not they will say that we were and always will be their main supporters,” Deputy CEO of TBC Giorgi Tkhelidze says with a smile. After a long time, we finally manage to meet face-to-face again at the TBC office on Marjanishvili Street.

I can only tell by his eyes that he is smiling, as we both wear face masks. It is a seemingly organic moment against the background of this interview and the message sent out by Georgia’s leading bank: uncertainty remains, but we have considerably more experience and more ways of eliminating it now than last summer, when the bank’s management was discussing the pandemic and the ways of adapting to it with Forbes.

We have other priorities today. We need to ensure that TBC manages to retain stability in the relationship with its partners and chooses the right leadership style. We now know that the pandemic is more unruly and long-lasting than we initially thought.

At the time of writing this cover story, devaluation of the national currency continues at a record pace. Last year, the current account deficit of Georgia doubled and reached 12% of GDP, the economy shrunk by 6.2%, more than 100,000 people found themselves below the poverty line, and more than 75,000 citizens lost their jobs. Without going deeper into negative statistics, we can see that the health crisis is closely being followed by an economic crisis.

For Georgia’s small open economy, the aforementioned figures are truly alarming. In the context of banks representing the main source of funding in Georgia, and TBC being a systemically important bank, there are two important questions that we need to put to Giorgi Tkhelidze.

First, when can we expect the economy to recover? The Deputy CEO of TBC believes that “in this regard, we have not yet felt the full effects of the pandemic. The reality is that last year’s expectations about slowing the pandemic and achieving tourism recovery have been delayed. Therefore, it will also take the economy longer to recover.”

Giorgi Tkhelidze’s response does not come as a

surprise to those who regularly follow the reports published by TBC Bank and the forecasts of various financial organizations. Based on these forecasts, the 2021 economic recovery figures may seem large against the background of last year’s record lows. In reality, it will take the economy at least until the end of 2022 to reach pre-pandemic levels.

Even from the figures posted by TBC we can clearly see, on the one hand, the bank’s resilience in the current difficult environment, and on the other hand, the way in which the development of systemically important banks and economic recovery are interconnected. In the fourth quarter of 2020, TBC posted figures of GEL 14 billion in net loans, GEL 22 billion in assets, and GEL 123 million in end-of-year net profit. “The growth was not as substantial as in 2018 and 2019, but we still issued GEL 2.2 billion to corporate businesses alone,” Mr. Tkhelidze notes. TBC remains the market leader in terms of growth.

Even during the crisis, businesses were issued with funds, including new money for the implementation of both ongoing and new projects. The Deputy CEO of TBC sees the cooperation between the banking system, the National Bank of Georgia, and the Georgian government as key to maintaining these dynamics. “We listened to each other and conceived a joint action plan. This partnership continues to the present day.”

According to international credit rating agencies, the Georgian banking system is functioning well even during the pandemic – most recently, at the end of March, the international credit rating agency Fitch revised the outlook of TBC and two other Georgian commercial banks from ‘negative’ to ‘stable.’ At the same time, the rating agency affirmed TBC’s long-term Issuer Default Rating (IDR) at ‘BB-’. According to the statement published by Fitch, “the revision of the outlook to ‘stable’ reflects reduced pressure on the bank’s credit profile from the pandemic and contraction of the Georgian economy. Fitch expects the bank’s pre-impairment profits to be sufficient to absorb additional credit losses from the pandemic without jeopardizing the bank’s financial profile. TBC entered the crisis with healthy capital cushions and sound performance metrics.”

As we can see, the main risks are related to eco-

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conomic growth as well as the ability of companies and people to service their debt.

The second question is what is the role of Georgia's leading commercial bank in this process? Giorgi Tkheladze divides his response into three parts.

"One of the main roles of the bank is to provide support with regards to financial liabilities. We have agreed to restructure debt on several occasions," states the Deputy CEO, who is responsible for the corporate segment. Looking at this particular segment, we can see that the bank's pandemic-related concessions for its corporate clients affected loans worth GEL 2.1 billion (37% of the total portfolio) and 252 borrowers (34% of all debtors).

"When the pandemic is over, decision making and long-term planning will become much easier, but right now we must think about the ways to operate in the current reality - how to work with

loyal guests to see that ongoing projects were not being suspended. "'Lopota does not stop' is an excellent slogan that could be used in the future," Giorgi Tkhelidze recalls. As a result, Lopota will be able to greet its guests with renovated tennis courts, a new restaurant and 51 additional hotel rooms this year. "It is better to show more belief in these situations, take risks and prove real partnership in difficult times," Mr. Tkhelidze states.

Lopota is only one of numerous examples. The list of businesses that were started or expanded in 2020 with TBC's support include two Nova megacenters in Tbilisi and Batumi, where TBC contributed GEL 1.5 million, and two new Bomondi hospitals in Poti and Kobuleti. TBC also contributed GEL 10 million to Georgian Textile - a sportswear enterprise in Rustavi that exports its products abroad. With TBC's help, companies were able to manufacture products such as face masks during the crisis

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## **“We listened to each other and conceived a joint action plan. This partnership continues to the present day.”**

our colleagues remotely, how to supply remote services to our clients if they face difficulties, how to ensure that businesses can adapt to the current reality, continue to operate and retain their staff," Mr. Tkheladze explains.

When it comes to the subject at hand, TBC has an interesting approach and philosophy. According to Giorgi Tkhelidze, it is important not to spend too much time thinking about when the pandemic will be over, and instead think more about the ways to adapt to the current situation and continue operating. This means that for TBC, it is important to support businesses both in good times, when they generate profits, and in challenging times, when they most need help. TBC is therefore willing to take more risks and then work with businesses on risk management, rather than take the easy route of refusal.

A good example is Lopota. "Goga Maisuradze explained to us that it would be important for his

- Medifari and New Technology Impex obtained funding for this purpose during the pandemic. This list is far from complete.

TBC is also working closely with the government. It sponsored the 112th session of the Executive Council of the UN World Tourism Organisation. As the leading financier of tourism in Georgia, the bank decided to provide funding at needs-oriented and flexible terms for this sector, which was hit particularly hard by the pandemic, to ensure that when activity in the sector finally restarts, its players are ready and able to operate without hindrance. All forecasts confirm that Georgia's economic recovery depends primarily on the fortunes of the tourism sector. TBC has provided a total of GEL 130 million in funding for the hospitality industry.

Thus, supporting businesses in difficult times is not only an emotional matter for TBC, but also a pragmatic business decision made by the market



leader. "30% is emotion, and 70% is business decision. If you do not take appropriate risks and then work with businesses to exit the crisis, it means that you are actually deepening that crisis. The welfare of businesses and banks is interconnected, especially in the medium-term. If you do not help businesses overcome challenges, then the crisis could also engulf the bank," Giorgi Tkhelidze explains.

The National Bank of Georgia, in their role as regulator, ensures that systemically important banks do not take excessive risks. This forms the second part of Mr. Tkhelidze's response to my question.

The Deputy CEO of TBC views the bank regulation policy positively, effectively admitting that NBG's conservative approach towards market regulation before the pandemic, for which it was often criticized, has a positive effect during the crisis with regards to bank capitalization and liquidity. "NBG will probably feel proud of itself for a long time," Giorgi Tkhelidze remarks, and I can once again detect a smile behind his face mask as he recalls how thoroughly the National Bank and TBC discussed the responsibilities of large borrowers: "Corporate loans are the least problematic, as we pursued adequate lending policies. We had capital buffers to establish additional reserves for insuring crisis-related risks." According to Mr. Tkhelidze, the financial system of Georgia is still capable of overcoming minor shocks, although uncertainty remains a major challenge.

This is the third and final part of Giorgi Tkhelidze's response. In his view, an important part of the role and responsibilities of TBC as a leading company is providing its partners with professional advice and sectoral or macroeconomic analysis in times of uncertainty: "We regularly talk to our clients, and these talks can be difficult and intense. Difficult situations often require correct but painful decisions, but we remain realistic. Apart from providing financial services, we also act as advisers and experts. Our analytical and consistently updated reports allow us to do that. Together with our partners, we create realistic expectations based on joint discussions that lead to correct decisions." Such is Mr. Tkhelidze's firm position.

Being the market leader clearly helps TBC

with situational analysis, as approximately 90% of businesses are TBC clients. The company has collected countless data on sales, turnover and dynamics in individual sectors and the economy as a whole. This information is collectively analyzed in TBC's weekly public reports. "If we detect recovery dynamics or signs of life in a project, then we continue supporting it, as well as funding new projects," Giorgi Tkhelidze explains.

TBC has also implemented the practice of holding regular webinars about COVID-19 and the macroeconomic outlook. According to Giorgi Tkhelidze, while the situation can change from one webinar to another (at times quite radically), the question/answer format creates a more complete picture, reducing uncertainty and making the prospect of adapting to the pandemic appear more realistic.

TBC also understands that the pandemic is a global threat. The bank ensures that its best practices and examples are far more diverse than just those on the local market. Sharing them during the pandemic can be priceless. For that reason, the bank even invited international management consultants for a three-hour session with Tegeta. "They wanted to conduct a detailed analysis to find out what the best global practices were, what kind of mistakes are made and by whom, and how to correctly plan and re-adjust the business model to ensure that businesses can adapt to the existing situation. They gathered plenty of good ideas," Mr. Tkhelidze says about Tegeta. The same was the case with the hotel business.

Hospitality and entertainment are the worst-affected sectors today - the hotel and restaurant sector shrank by almost 40% in 2020, while the arts, entertainment and leisure sector shrank by 19%. "From what we can see, only a small part of the sector is able to function. During the summer, this segment will be able to service the interest on their debt at best. As for the rest, we are just waiting for a more active period to get them on their feet," Giorgi Tkhelidze tells me.

Real estate and related sectors have been able to better adjust to the pandemic - partly due to the state subsidy program, partly due to infrastructure projects, and partly through their own efforts. This sector shrank by 5%. "If the situation becomes

more stable, this sector will be able to continue functioning,” says Mr. Tkheiladze.

Luckily, there are also sectors that have been relatively unaffected by the crisis or were only affected for a short period of time. Examples include trade, supermarkets, pharmacies, and wine export.

Using TBC's own clients as an example, Giorgi Tkheiladze boldly predicts that business will emerge stronger from the pandemic. Notably, he includes TBC Bank in this prediction. Analysis of several clear trends gives him cause for optimism.

First, the pandemic will provide additional impetus for companies to either diversify their products or achieve more cost-effectiveness in supplying these products. Giorgi Tkhelidze cites delivery service as a specific example. “Delivery services completely transformed everything. This concerns not only food, but also many other products and services. As a result, companies with

Tkhelidze states.

Thirdly, the digitalization process will continue. “We are actively working with NBG to enable digital signatures. This will save a lot of paper and time for customers and banks alike - time that can be used for other beneficial endeavors,” says Giorgi Tkhelidze.

Fourthly, the culture of online meetings will become more prevalent. “In early 2020, nobody at TBC could imagine holding even a five-person meeting online,” Mr. Tkhelidze recalls. “You had to beat the traffic to get from Ateni Street to Marjanishvili Street, or vice versa. This culture has significantly increased efficiency. Many meetings now take place remotely, and that will still be the case when this pandemic is over.”

This concerns not only internal meetings, but also business meetings - even the most conservative Georgian businessmen are now ready to solve

## “It is better to show more belief in these situations, take risks and prove real partnership in difficult times.”

good reputation and brand recognition no longer need to pay high prices in city centers. They can easily rent a space further away for a tenth of the price, set up a kitchen and start delivering,” Giorgi Tkhelidze explains. “There are several such companies on the market already, while several others have turned this approach into their development strategy. Most of these businesses have managed to retain a large section of their staff thanks to delivery services.”

Secondly, there is growing demand for data analytics, which encourages companies to be more transparent. Giorgi Tkhelidze also provides specific examples for this: “For instance, supermarkets and hotels are actively exchanging data. We now produce such data and supply them to a growing number of companies. Demand is growing, which is good. The next stage will be for companies to start producing and analyzing this data themselves, and we will gladly help them in this process,” Mr.

at least some of their issues online. The picture is not so one-sided when working from home. According to a recent survey, 74% of TBC employees view remote work positively, as it has raised their quality of life and happiness. However, when work-related activities have to be conducted in the same space where children are being raised, and when it becomes harder for colleagues to communicate and exchange advice, online work becomes more time and energy consuming. “We are grateful, and at the same time, we are thinking about how to resolve this issue moving forward,” says Giorgi Tkhelidze. At this point, TBC provides all its employees who wish to work remotely with that opportunity. According to the current statistics, approximately 20-25% of staff choose to work from the office.

The final observation is that the pandemic seems to have erased borders by strengthening online channels. TBC Bank knows this better than others. Giorgi

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Tkheldze recalls an interesting story: “The husband of one of our team members was assigned to a diplomatic mission in South Korea. She had to follow her family and could no longer remain at TBC. We were in the process of saying goodbye when we raised the opportunity of working part-time. Our employee agreed, but things worked out so well that by the end of December we concluded that she was working full time, only remotely. Many clients do not realize that this person is providing them with service from abroad unless she tells them.” Hearing this story from Giorgi Tkheldze has a special ring to it. Several years ago, when he was offered a high position at TBC, he had to choose between staying at Barclay’s in London or moving back home. If it was not for his desire to return home, he might have taken a different decision. Today, the choices are different. It is no longer necessary to be in Georgia to work here, if you can successfully work remotely. At least, that is the approach adopted by TBC. It will allow the bank to significantly increase its efficiency and access to professionals.

One of the lessons learned by Giorgi Tkheldze personally, and one he was willing to share with Forbes Georgia, is that while fighting the effects of the pandemic, when the bank managed to retain its staff despite revenue losses, when it had to focus on continuing to provide non-stop services to its clients, and when it devised plans for working online, it was running increased risk of paying less attention to what was happening inside the team that enabled all of this - how the TBC employees were coping with the stress of having to adapt to the changing environment and practices. “In recent months, we actively began to ensure that resources can be added wherever they are needed, and that we constantly express our gratitude to let everyone know that results are achieved by the whole TBC team, rather than the management alone.”

Looking ahead to the future, what should be done in 2021 and beyond to ensure that the economy starts to recover, and businesses start to function fully? The Deputy CEO of TBC has a detailed response to this as well.

Giorgi Tkheldze believes that the time is right for real development of the capital market. According to him, this is important in two respects - first,

there must be an option to place savings not only in bank accounts, but also in other sources - especially since the interest rates on foreign currency deposits in the Georgian banking system are showing a declining trend at a time when 76% of total deposits of natural persons (GEL 18.7 billion) and 45% of total deposits of legal persons (GEL 16.9 billion) are placed on foreign currency accounts. Secondly, loan liabilities increase during a crisis, as either profitability decreases, or the volume increases due to devaluation, or both. Thus, the parameters of many companies will no longer be able to meet the additional borrowing requirements, and access to alternative sources of funding will be needed more than ever. “A partnership between NBG and the financial sector already exists in this regard, which is reflected in the additional benefits of an alternative source of funding for companies with a high credit rating, resulting in a more active debt capital market. This must be supplemented with state resources,” states Giorgi Tkheldze, highlighting pension savings in this context. However, this is a different issue for a different article.

As for the short and medium-term, Mr. Tkheldze believes that only a speedy vaccination process can be a turning point. “If the third wave affects a large number of people and restrictions have to be reintroduced, we will be unable to receive tourists,” Giorgi Tkheldze states, adding that it is important for as many people as possible to be vaccinated, at least in the industries that cannot function without people’s physical involvement.

The Deputy CEO of TBC firmly believes that the crisis will be followed by significant growth, as artificially restrained sectors will ultimately grow faster than under normal circumstances. “It is important to position Georgia as an attractive proposition for investors,” says Giorgi Tkheldze, who represents the bank that has for years prioritized Georgia’s position on the London Stock Exchange.

I believe that we have managed to convey one example of what leadership can look like, including during the post-pandemic period. The next step will be to measure the verdict of the business sector - will it say that TBC was its main supporter in difficult times?

We will be waiting to find out! 



## MANAGEMENT

SAMI COHEN - CURRENT EVENTS

# SIMON SINEK TELLS YOU HOW TO FIND THE TREASURE HIDDEN IN YOUR COMPANY

*In a chapter entitled 'Trusting Teams' in his latest book *The Infinite Game*, Simon Sinek writes the story of Shell URSA team and how Claire Nuer, co-author of *LEO Methodology* with Sami Cohen trained them to achieve tremendous results while feeling safe in one of the riskiest jobs in the world.*



### **GIORGI IS THE CEO OF A SUCCESSFUL COMPANY.**

He takes a lot of courses and keeps himself up to date with management trends. He is convinced that his workforce is the basis for the company's success, but he was not aware before reading Simon Sinek's latest book - *The Infinite Game* - that he possessed hidden treasure.

Can an unmotivated employee perform at his or her best? Of course not. When he read Gallup's employee engagement survey, he was shocked. He would never have guessed that 70% of his employees did not like their job and some 20% were actively disengaged. This means that they were working against the company; they had no problem speaking badly about their boss or about the company itself.

Giorgi always knew that employee engagement could be a gold mine, but he never guessed how big that mine might be. It is huge! He thought that if it was addressed effectively, the company could gain a lot.

Giorgi was conscious that most employees put their interests before the interest of their team. He was conscious that his managers were in competition with one another to get his praise. He liked that they had a certain level of fear, it gave him leverage on them. He never thought that this level of fear would cascade on the levels below creating a distrusting culture.

You can understand Giorgi's surprise and joy after he read *The Infinite Game*. He realized that what he thought was effective had a boomerang effect on employee en-

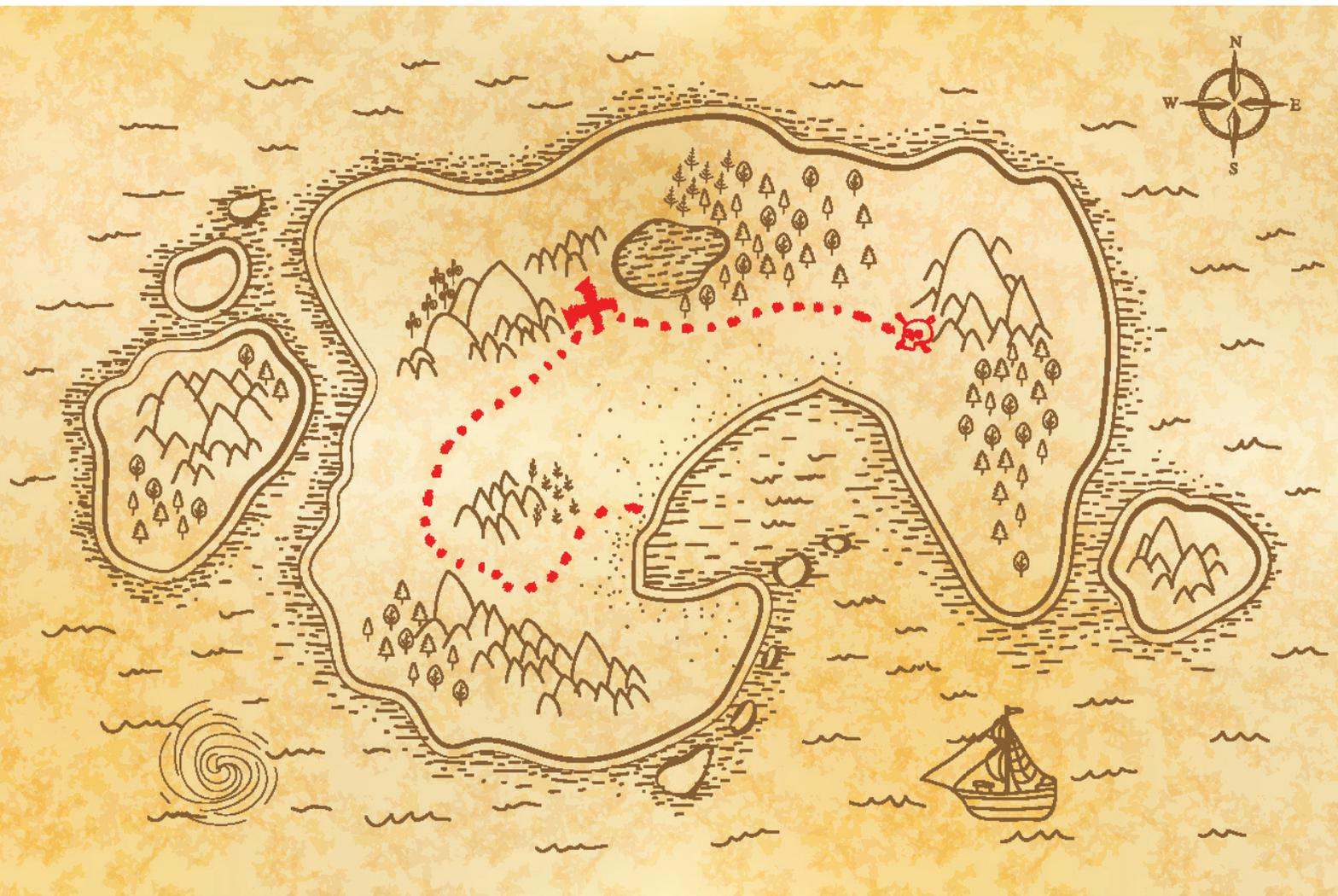
gagement. How can he expect employees to be engaged when they are in a culture of fear? Fear of making a mistake, of not knowing, of admitting failure, of asking for help, of losing to the competition, and so on.

He had no clue before reading Simon Sinek's book how to train his managers to find hidden treasure. Simon Sinek explains that by using *Leo Methodology* over a one-year program, the forty people composing the URSA team - Shell's largest oil rig in the world valued at \$5.5 Billion - learnt to trust one another and become a trusting team.

Giorgi loved a specific paragraph that describes the culture of a trusting team:

When we work on a Trusting Team, we feel safe to express vulnerability. We feel safe to raise our hands and admit we made a mistake, be honest about shortfalls in performance, take responsibility for our behavior and ask for help. Asking for help is an example of an act that reveals vulnerability. However, when on a Trusting Team, we do so with the confidence that our boss or our colleagues will be there to support us. "Trust is the stacking and layering of small moments and reciprocal vulnerability over time," says Brené Brown, research professor at the University of Houston in her book *Dare to Lead*. "Trust and vulnerability grow together, and to betray one is to destroy both."

This paragraph highlighted the culture of a trusting team. The question for Giorgi was to decide which kind of management style he wanted? Did he want his man-



agers to be genius leaders with hundreds of helpers behind them thereby increasing the gap between management and the rest of the organization, or to develop what Simon Sinek calls a 'Trusting Team'?

The answer was not obvious to him. Giorgi had been successful with things as they were- why rock the boat? How does one create these trusting teams that Simon Sinek is talking about? Giorgi also realized that he will probably look less indispensable if his teams are more independent, motivated and responsible. Would he lose the image of the charismatic leader? He didn't like this last thought.

But he started thinking more deeply:

How would it be if my team leaders were engaged in creating a culture of trust and support. What if they choose

emulation and doing tasks together over competition among each other and being separated by silos? What if people woke up in the morning knowing they belong to something bigger that they had created together. What if they feel emotionally safe to be vulnerable and grow? What if they feel inspired, fulfilled and appreciated?

Giorgi was surprised to perceive the difference between succeeding by having a competitive culture as he had always pursued and succeeding by having people more engaged. He also realized that he never took the latter goal seriously. When he imagined that it would be him inspiring cultural change that would make more employees go to work feeling trusted and valued then come home feeling fulfilled, he felt really inspired.

He was so delighted that he even thought about letting go of the superhero image he had of himself. Now that Giorgi had made the decision to create a trusting team culture, he had three options:

**1 - Continue as is.** After all, results were satisfactory and the board was happy. But will this create a trusting team culture?

**2 - Ask HR to organize** or intensify training with different companies, hoping one of them will yield a trusting team effect.

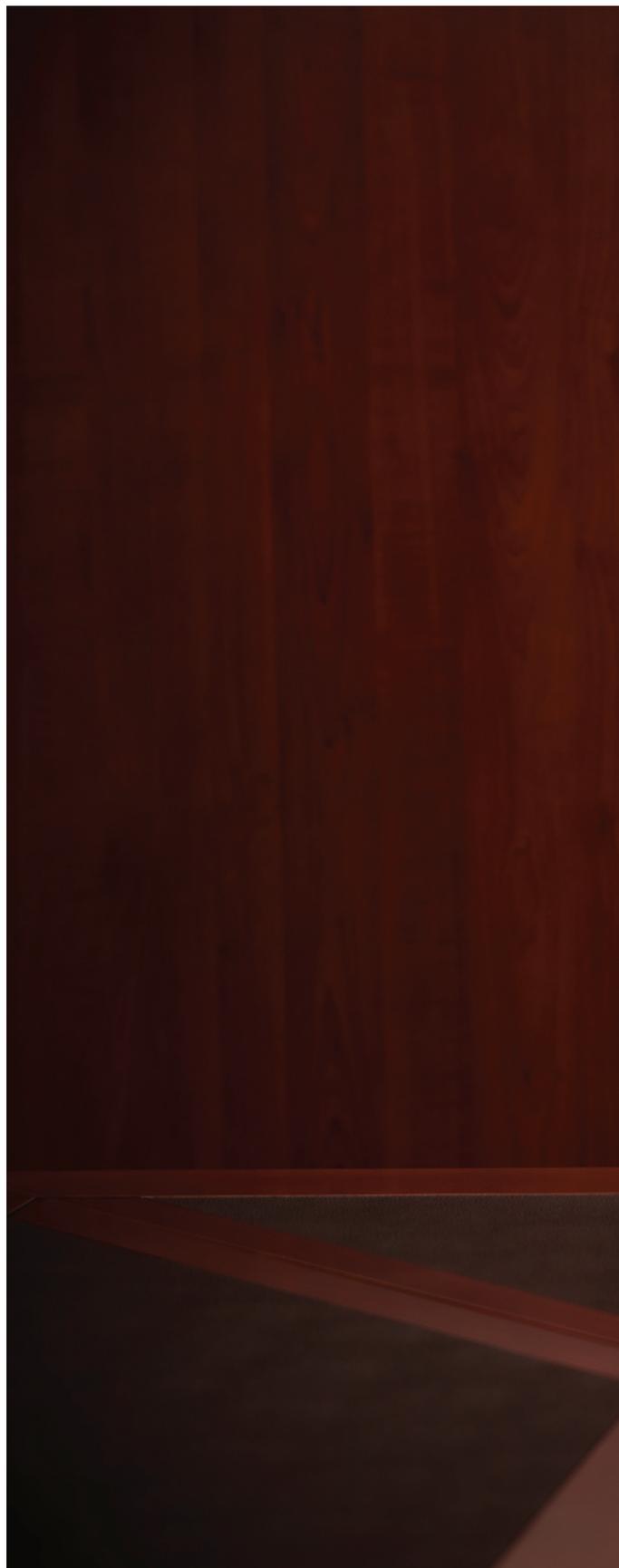
**3 - Or explore the possibility** of using the methodology that helped Shell's URSA team become a 'Trusting Team' and achieve tremendous results, while feeling fulfilled and appreciated at work.

Giorgi felt good about his thinking process and made his decision. **F**

# 25 Years in the Legal Business

In the 1990s, few people in Georgia viewed the legal profession as a business. Founded in 1995, the Kordzadze Law Office offered its clients innovative services and a progressive approach that may have seemed outrageous at the time but ensured that the company's list of loyal clients now includes dozens of successful companies, while local and international index firms routinely list the law office and its founders as a top-category representative of the legal profession. We spoke to Zviad Kordzadze - a lawyer with bold ideas, hundreds of cases won and interesting views that extend beyond the field of law.

BY ELENE CHOMAKHIDZE  
PHOTOS: KHATUNA KHUTSISHVILI





**Aside from any widely accessible standard information, who is Zviad Kordzadze? How did you establish yourself as a successful lawyer, and what helped you achieve such impressive results?**

People who started their business in the 1990s, when business image and reputation were not viewed as a key advantage, learned a lot through trial and error. We helped establish the sectors in which we were operating. It was my generation that shaped the legal business as we know it today. This may sound strange to some people now, but we started out at a time when there were no meeting spaces or anything else. For example, when I first saw an electronic weather board at a petrol station in Tbilisi, that is when I started to hope that we would become part of the modern world. To give you an idea about the environment in which I started practicing law, we composed our first business documents and regulations with the help of the Norton programme, which was little more than a typewriter with a blue screen. If we wanted to send a message, we had to wait two minutes for the computer to establish a connection with the web, and a similar amount of time to send the document. Georgia did not even have mobile phones at that time. My first piece of business equipment was a pager that was given to me by a client who wanted me to contact him in case of a problem. All of this may seem funny right now, but that is what we had to deal with.

**We are no longer surprised to see every new idea or undertaking being viewed from a commercial perspective, but that was not the case when you started your firm. When did you start viewing the legal profession as a business, rather than just a job?**

Before practicing law, I had some experience in the field of small business. Nothing substantial, but still... When my parents were unable to continue supporting me financially, I had to do something. My friends and I decided to transport unlicensed Coca-Cola from the Kutaisi lemonade factory to Tbilisi and sell it to local shops. This was happening during the Mkhedrioni era, and it was an extremely bold move by us. We loaded two small vehicles with bottles and set off for the capital. We were stopped by armed men on several occasions. They drank some of our Coke, kept some more for themselves, and let us proceed. We took a detour around the Rikoti tunnel, which was controlled

and operated by Mkhedrioni men like a customs checkpoint. Then we had to deal with burst tires in Mtskheta, before finally reaching Tbilisi and starting to sell our product. We were left with very little money. Afterwards we conducted similar activities on several occasions. What I am trying to say is that even before becoming a lawyer, I was always looking for ways to make money. I therefore approached the legal profession as a business from the very beginning. We only had the Bar Association in Georgia at the time. They asked me to pay \$500 for membership. Instead, I decided to start my own business - not as a private lawyer, but as a law office, together with my partners Gocha Svanadze and Irakli Okruashvili. We were the first law firm in Georgia to be paid for our services by the hour. People even joked that Kordzadze had an hourglass on his table, making money each time he flipped it over. We introduced monthly fees, as well as the concept of a family lawyer. All of this meant that we were conducting business. We were doing so in an organized manner and by observing all formalities, signing agreements, and paying taxes.

**What motivated you as a lawyer to remain in this business?**

I can tell you exactly what motivated me. As part of the joint program carried out by the Embassy of the United States in Georgia and USAID, I travelled to the US in 1996. I was working for the Young Lawyers' Association back then, and I was one of several representatives of successful NGOs who were chosen to travel and meet their American counterparts. We held meetings in several states, the final stop being New York. This was when I fell into a state of amazement from which I still have not recovered. Just imagine - you live in Tbilisi without electricity, natural gas, or hot water, and suddenly you find yourself in New York City. I lived two streets down from Broadway and got a sore neck as I looked up at the skyscrapers for four days in a row. I barely slept. Other cities impressed me too, but New York left a particular impression. It was also the first time I found myself inside the office of a proper legal firm - on the 47th floor, with numerous desks, and lots of light. This experience changed my life. I saw that there are successful countries and cities where people can live in good conditions by taking advantage of the opportunities that they have. I asked myself: even if we cannot live like in the US, can

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we not at least try to live better than we do now? Then came the 1997 judicial reforms, and I found myself at the center of legislative changes in the country.

**How profitable is the legal profession as a business?**

It can be quite lucrative, but only if you have the right approach. You must be fully focused on clients' interests and achieving results for them. This business allows you to have a good life. It requires a lot of hard work, but it pays off. You must bear in mind that these results cannot be achieved in one or two years. The younger generation often seeks to achieve everything quickly. However, the ones who persevere and show patience will reap the rewards. In their case, annual revenue will exceed tens of thousands of GEL. This will allow them to have a beautiful house and a nice car, provide their children with a good education, help other people, and so on.

**Do you see yourself as a self-made businessman?**

I would say that the businessman Zviad Kordzadze is my own product. My parents were teachers during the Soviet era. They had to wait twenty-three years for a flat and twenty-one years for a telephone. When they finally got both, I was happy about it, but they were not. Still, they gave me an education and funded the first three years of university for me. I also received a monthly scholarship of 40 rubles, which encouraged me to a certain extent. When I had to decide whether to stay in Tbilisi after graduating or return to Kutaisi, I realized that if I stayed here, I would be unable to depend on anyone else, and would have to look after myself. I decided to stay. Generally, when people from the provinces move to the capital, they have to work harder than usual to establish themselves and achieve success. Crudely speaking, they have to fight for their place. During this time, they develop skills that are important in a competitive environment. I am not saying that I work day and night. In fact, I believe that if someone still works around the clock at a certain age, it means that they have a problem with time management. If I set myself a goal that I believe in, I will not rest until I reach it. However, if I do not believe in a goal or idea, then I will not waste my time on it. One of the reasons behind my success is that I love what I do. Furthermore, I have never worked for anyone else. I determine my own rhythm and workload,

and I decide whether or not to take up a case. I do not deal with small cases, and I do not simply do what I am told. I need to be in my comfort zone. I like ideas and opportunities. People who work with me note that they have the freedom to try new things. I believe that people are most productive when they are free. In our profession, the conveyor belt approach is unproductive. This is not manufacturing.

**Law is an extremely competitive industry. If you do not stand out, you will quickly get crowded out. It takes a lot of effort and resources to stand out. What makes you different?**

I read lectures on the topic that you are now asking me about. We are talking about the skills of a lawyer. What makes this business different is that we do not usually advertise our services on television or billboards. Some people may do it to raise their profile, but I doubt it attracts more clients. I give my students a remarkably simple example for illustration purposes. You see many billboard adverts for dental clinics on the streets. However, when you have a toothache, you call your friends or family and ask them to recommend a good dentist, rather than go out looking for one on the streets. The image of a doctor and a lawyer depends entirely on the quality of their work. It is the only factor that guarantees them a place on the market. Such is the specific nature of the legal profession - the content is more important than the form. The only way to survive and develop in this competitive environment is to be a professional, adhere to ethical norms, and do your job well. For me, the fact that a company like Coca-Cola Bottlers Georgia has been a loyal client of mine for twenty-three years during my twenty-five-year career, is what defines my competitiveness and appeal. There are also other companies that have been my clients for two decades. Why is that the case? We are not talking about love or marriage here. These are mutually beneficial business relationships.

**Who is behind the national and international success of the Kordzadze Law Office?**

Initially, the Kordzadze Law Office was just me. I then decided to move into the background and highlight the role of my staff by sending them to do TV interviews, increasing their involvement, and so on. This was a calculated move to ensure that the Kordzadze Law Office, rather than Zviad Kordzadze himself, becomes a brand.



This approach has paid off, as our partner lawyers have their own loyal clients and are being contacted directly by them, ensuring that the law firm can act more independently. I was CEO of the Georgian Industrial Group (GIG) for several years, meaning that the office received less attention and involvement from me during this period. I even stopped attending court cases for a while. I had to choose between continuing to work for GIG and returning to the law office. Having gone back, it took me two to three years to bring the firm back to a certain level as a brand. That is no longer the case today.

**Numerous local and international law firms have moved into the Georgian market in recent years. What competitive advantages does the Kordzadze Law Office have over them?**

Our main competitive advantage is that we have never focused on one specific field of law. Our objective since the day we founded the firm was to provide each client with comprehensive legal services regardless of whether they were looking for a criminal, civil, administrative, corporate or tax lawyer. This always gives us the edge over our competitors, which becomes apparent in times of crisis. For example, when the fall in foreign investment affected law firms that worked in this specific field, we were able to balance the deficit through other areas of law.

**As in other industries, success in law is measured by specific achievements. What are the achievements that Zviad Kordzadze and the Kordzadze Law Office can boast after twenty-five years in the sector?**

In our case, success can be measured not only by customer satisfaction, but also the annual indexes published by influential local and international companies. For example, the survey conducted by Chambers & Partners is based on objective methodology that excludes any form of bias. In-depth market research is used to identify the best law firms and individual lawyers. My law office and I occupy leading positions in these rankings on a regular basis. The company has also held the Golden Brand status of the best law firm of the year for several years in a row.

**Let us talk about Barbales Marani. I read in an interview that you have invested GEL 100,000 in**

**winemaking, which means that this is more than just a hobby for you. How long have you been involved in viticulture, and what are your plans in this field?**

I have been interested in winemaking for almost fifteen years. I certainly did not spare any resources to get to the point where I am today - offering customers a distinguished, high-quality product. I am at the stage where the branding and external packaging for my wine is finished, and it is ready to be sold. Barbales Marani has its own website and delivery service, which is an essential part of commerce during the pandemic. The winery itself is located on Gorgasali Street, inside a 19th century cellar. The grand opening was delayed due to the pandemic, but it will definitely happen in the spring. This will not be an ordinary winery, but a center for tourism offering customers somewhat different and interesting services. As for the wine, there will be more than ten different varieties on offer. Additionally, we will be selling our unique line of fruity alcoholic drinks, starting with the raspberry-flavored beverage that is ready to be launched. I believe that consumers will like it. We will also have something interesting and exclusive for the Georgian market. Barbales Marani will be selling Rose Miraval - the renowned brand produced by Brad Pitt and Angelina Jolie's winery. Football fans and others will be able to try the wine from Andres Iniesta's vineyard. Naturally, we do not intend to stop there. We have more interesting ideas and plans. Negotiations about exporting our products are ongoing.

**Zviad Kordzadze Publishing, Barbales Marani, academic activities at the Georgian-American University and Tbilisi State University - are you sure you are not turning away from the field of law?**

Abandoning law is something I cannot do. If I invest twenty-five years of my life in those other activities, then I might start thinking about changing profession. I would describe my recent undertakings, including publishing and winemaking, as diversification of my activities. These were my hobbies that turned into something more as I accumulated a certain degree of experience. They required the same attitude from me that I showed towards law. Whatever I do, I must ensure that it is done thoroughly and to a high standard. I hope I will be as successful in publishing and winemaking as I was with my law office. **S**



ECONOMICS

BESO NAMCHAVADZE

# How do We Stabilize Georgian Lari



**IN 2020, GEORGIA'S CAPITAL OUT-FLOW** exceeded inflow by \$2 billion. The negative balance (current account deficit) increased by \$1 billion year-on-year. That is the main reason for the recent devaluation of the local currency.

Traditionally, Georgia loses the most amount of dollars through foreign trade in goods. Until 2020, the country was able to significantly offset these losses with trade in services. For example, the negative balance of foreign trade in goods in 2019 was \$3.7 billion, while the positive balance of trade in services was \$2.2 billion, meaning that the total negative trade balance was reduced to \$1.5 billion.

In 2020, the negative foreign trade balance was \$3.1 billion, which is \$585 million less than the 2019 figure. The fall in imports (\$1.2 billion) exceeded the fall in exports (\$615 million), resulting in an improved balance. However, the balance of foreign trade in services worsened by \$2 billion, meaning that the overall balance of foreign trade in goods and services worsened by \$1.5 billion compared to 2019.

The worsening of the foreign balance of trade in services was caused by the suspension of tourism due to Coronavirus. The amount spent by visitors to Georgia decreased from \$3.3 billion in 2019 to \$542 million in 2020, representing a \$2.7 billion fall in revenues. The amount of money spent by Georgians abroad also decreased by \$477 million, meaning that Georgia lost a total of \$2.3 billion from the suspension of tourism in 2020.

Along with tourism, foreign currency inflows were significantly affected by a decrease in foreign direct investment and foreign portfolio investment by \$1.3 billion in total.

Furthermore, the Georgian economy shrank by 6.2%, thereby reducing demand for the lari.

The local currency would have depreciated even further, had the government not taken on an additional \$1.8 billion in foreign debt. These funds were mainly transferred to the foreign currency reserves of the National Bank of Georgia (NBG), which proceeded to sell \$873 million on the local currency market in 2020, and \$243 million between January and April 2021. In just over one year since the start of the pandemic, NBG has sold a total of \$1.1 billion, thereby slowing the depreciation of the lari.

Changes in the currency exchange rate, foreign trade and other foreign economic relations constitute a joint dynamic process. If it were not for the depreciation of the lari against the dollar, Georgia's external balance (current account deficit) would have been even more negative.

The pandemic reduced the demand for the dollar in Georgia, as economic activity and internal demand decreased. Low internal demand reduces imports and outflow of foreign currency. Had it not been for the increase in the budget deficit and the launching of new social and subsidy programs by the government, internal demand would have fallen even further. The increase in expenditure was partly justified, as it served to support citizens who lost their jobs because of the pandemic. On the other hand, higher expenditure means higher government debt and more negative pressure on the local currency.

The initial expectations in 2020 were that the country would overcome the pandemic in a few months, and it would just be a minor problem by 2021. Now these expecta-



tions have been delayed to 2022 due to the collapse of the vaccination process in Georgia. Until the spread of the virus is minimized, the country's main source of income - tourism - will be unable to recover. Georgia will also be unable to obtain the same amount of foreign funding as in 2020, as its debt-to-GDP ratio has already reached 65%. The prolonged crisis and the decrease in foreign aid means that it is no longer practical for NBG to conduct currency intervention to the same extent as last year.

The lari will rebound if the figures registered by the tourism sector are even half as good as they were in 2019. We have no other major sources of foreign currency. However, as we are feeling the effects of the third wave of the pandemic, we may find that 2021 will be even worse for tourism than 2020.

The third wave of the virus will leave Georgia facing a painful dilemma: 1. Significantly increase refinance rates (the interest on loans), leading to NBG reducing demand, selling the dollar, strengthening the lari and stabilizing the prices, albeit at the cost of slower economic growth (possibly even a recession) in 2021; or 2. The lari depreciates further, inflation re-

mains high, economic activity remains stable, and the economy grows (unless new strict economic restrictions are imposed to control the spread of the virus).

The best way to overcome this dilemma is for members of the public to get vaccinated as quickly as possible and fully comply with all preventative measures. There are no effective solutions in the economic policy scenarios unless we become used to the waves of the virus and rely on developing herd immunity. The latter is as unlikely as the prospect of much of the population getting vaccinated in a few months, maintaining social distancing, and avoiding crowded spaces.

Only external factors can help Georgia mitigate the economic dilemma. The exchange rate of the lari is intricately linked to the exchange rate of the currencies in the countries that are our trading partners (particularly our neighbors). Despite our domestic affairs, the currencies of our trading partners may appreciate. Under equal circumstances, this would also lead to the appreciation of the lari.

To ensure that the ongoing processes do not get out of hand, inflation and state debt do

not increase and the lari does not depreciate much further, the government must avoid imposing further strict economic restrictions under any circumstances, even if the spread of the virus escalates. Furthermore, the budget deficit must at the very least not increase. The government ought to abandon the subsidy programs that artificially increase demand in certain sectors, damage strict monetary policies, and ultimately result in depreciation of the lari and higher inflation. The economy should be stimulated by lowering interest rates, rather than through subsidy programs.

We are insured against the prospect of strict economic restrictions given the fact that the Georgian government will be unable to take on additional debt. Borrowing more money would be a dangerous move and a big mistake. Economic restrictions result in reduced budget revenues, higher expenses, and ultimately, in an increased budget deficit and state debt.

To summarize, the lari can be strengthened by quick vaccination and opening the country to tourists. Any other alternatives come with a heavy price that will impact the population as severely as the currency devaluation did. **F**



## ECONOMICS

LAURENCE BALL, GITA GOPINATH,  
DANIEL LEIGH, PRACHI MISHRA,  
ANTONIO SPILIMBERGO

# US Inflation: Set for Take-off?

How high is the ongoing US fiscal expansion likely to push inflation? This column presents new evidence that underlying (weighted median) CPI inflation has so far steadily declined since the start of the COVID-19 crisis, broadly as predicted by its historical Phillips curve relation. If the ongoing fiscal expansion reduces unemployment to 1.5-3.5%, as some predict, underlying inflation could rise to about 2.5-3% by 2023. If the fiscal expansion is temporary and monetary policy remains clearly communicated and decisive, there is little risk of a 1960s-type inflationary spiral.

**HOW HIGH MIGHT INFLATION** rise in the US in the coming years? Blanchard (2021) and Summers (2021) caution that the recent \$1.9 trillion American Rescue Plan Act (ARPA), together with the fiscal expansion passed in 2020, may push unemployment low enough to cause overheating and surging inflation. Others, such as Gopinath (2021), see a persistent surge in price pressures as unlikely, and Powell (2021) argues that the rise in inflation will be “neither particularly large nor persistent”.

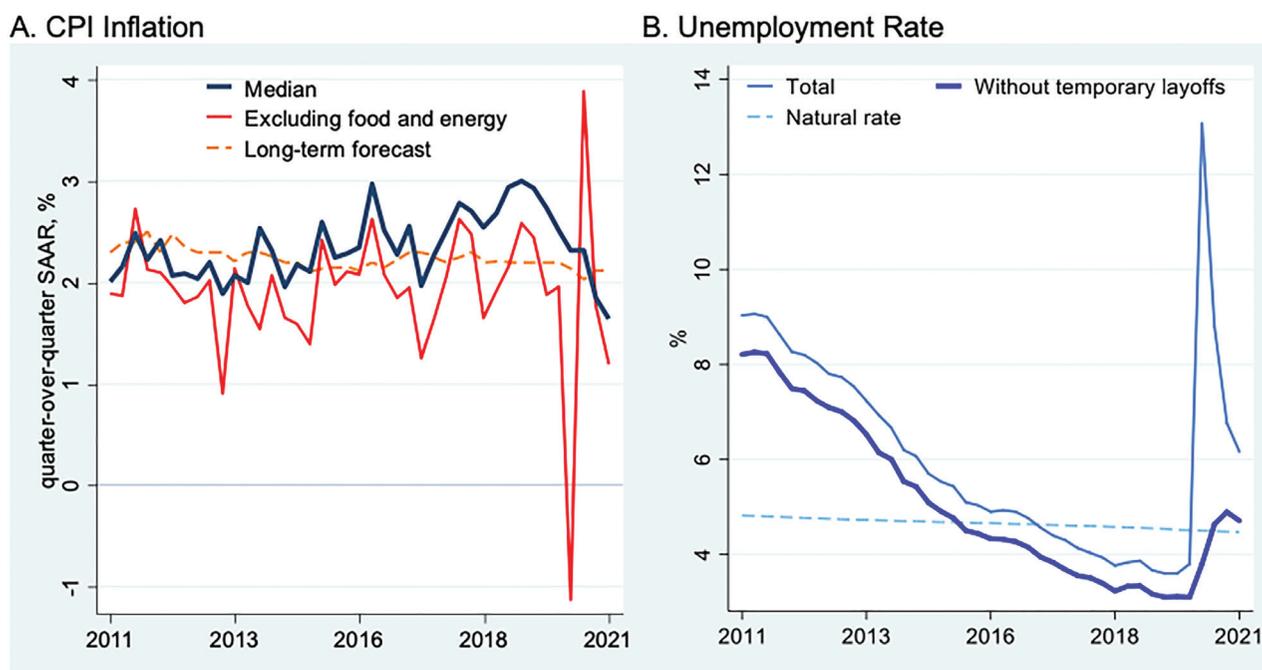
The purpose of this column is two-fold. First, to re-assess how strongly US inflation responds to the unemployment rate, including since the start of the COVID-19 crisis, with a focus on underlying (core) inflation. Second, to predict how high inflation

might rise depending on how low unemployment falls with the government spending expansion.

## US INFLATION: PUZZLE DURING THE COVID-19 CRISIS?

To understand recent inflation behaviour, we separate it into two components: (1) underlying inflation that reflects macroeconomic conditions (the Phillips curve); and (2) a transitory component arising from changes in relative prices due to microeconomic factors. We measure underlying inflation using weighted median CPI inflation data from the Federal Reserve Bank of Cleveland, which indicate the price change at the 50th percentile (in terms

**Figure 1.** US inflation fell in 2020 as unemployment rose



Note: Quarterly data. Long-term forecast = SPF 10-year-ahead forecast. Natural rate from CBO.

of consumption basket weights) of the distribution of price changes in a given month. This approach filters out extreme price movements from various components such as, for example, the record 84% fall in cell phone service prices in March 2017 (annualised) which prompted commentary by then Fed Chair Yellen.<sup>1</sup>

Underlying (median CPI) inflation has moved closely with macroeconomic conditions in recent years (Figure 1). During 2017-19 when unemployment declined well below Congressional Budget Office (CBO) estimates of its natural rate, median CPI inflation rose above 2.5% (quarter-over-quarter). In 2020, when unemployment sharply increased, median CPI inflation steadily declined, reaching a low of 1.6% in 2021Q1.

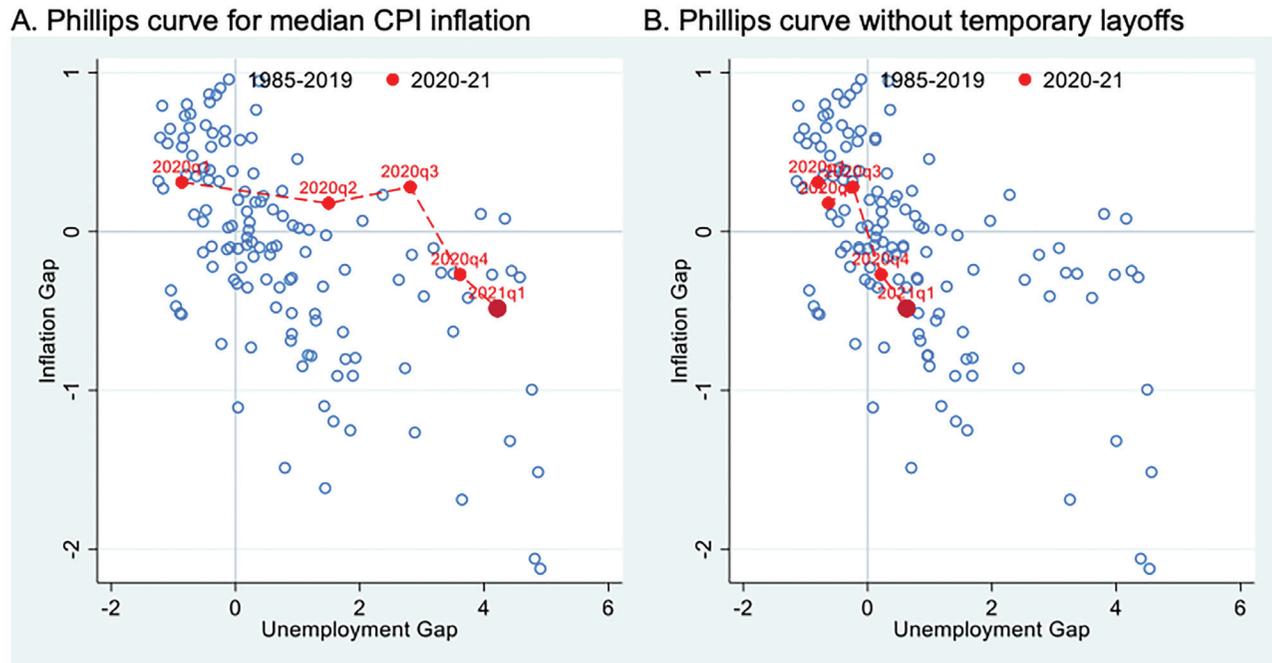
By contrast, an often-used simpler measure of core inflation based on the CPI excluding food and energy prices has not reliably reflected macroeconomic condi-

tions. During the 2017-19 expansion, it was on average below the long-term expected level for CPI inflation based on the Survey of Professional Forecasters (SPF). During the COVID-19 crisis, it fluctuated widely from -1.1% in 2020Q2 - the largest fall in the series' history - with record drops in airline fares, lodging, apparel, and motor vehicle insurance prices, to a rise of 3.9% in 2020Q3, when several of these one-off price drops rebounded, providing a noisy signal of underlying inflation. The CPI excluding food and energy will probably rise sharply in 2021Q2 on a year-over-year basis, but this will reflect base effects from the record 2020Q2 drop rather than a rise in underlying inflation.

We examine if, during the COVID-19 crisis, median CPI inflation has moved in line with its pre-pandemic relation with unemployment - the Phillips curve - and at first there is a puzzle. As Figure 2 (left panel) illustrates, inflation was higher above its

long-term forecasted level than could have been expected given the rise in unemployment. However, the labour market was very unusual in 2020, with a large share of job losers on temporary layoff due to lockdown measures, and, with prospects of regaining employment, having arguably little effect on wage bargaining and price dynamics. When we exclude job losers on temporary layoffs from the unemployment rate (right panel), the puzzle fades and inflation is broadly in line with its pre-pandemic Phillips curve relation.

Our Phillips curve estimates based on quarterly data for 1985-2019 imply that a 1 percentage point fall in the unemployment rate should raise median CPI inflation by 0.24 percentage points (the 95% confidence interval is 0.17-0.31 percentage points). We find little evidence of non-linearity with inflation rising faster at lower rates of unemployment so far, despite the sample including times of low unemploy-

**Figure 2.** US inflation: No puzzle in COVID-19 crisis rose

Note: Inflation gap = inflation - long-term SPF forecast. Unemployment gap = unemployment - CBO natural rate, 4-quarter average.

ment.<sup>2</sup> Our Phillips curve slope estimate is similar to that of Blanchard et al. (2015) (about 0.2) and of Hazell and others (2020) (0.25 for median CPI inflation).

## HOW HIGH MIGHT INFLATION RISE?

Based on our Phillips curve estimates, we investigate how high inflation might rise under two unemployment scenarios.

First, we consider the April 2021 IMF World Economic Outlook baseline, which reflects the IMF staff's assessment of the ARPA and earlier fiscal packages, with the unemployment rate falling to 3.6% by 2023, about 0.8pp below the CBO natural rate (Figure 3). Based on our estimated Phillips curve, median CPI inflation would then rise to 2.4% (quarter-over-quarter) by 2023.

Second, we consider Blanchard's (2021) scenario where the unemployment rate falls to 1.5%, reflecting larger assumed fiscal multipliers calibrated on the basis

of conditions that prevailed after the global financial crisis - although such large multipliers might not apply now with the rapid recovery. A substantial fall in unemployment could also occur with smaller multipliers but with additional fiscal stimulus beyond the ARPA. In this case, our estimates imply that median CPI inflation would rise to 2.9% by 2023. To investigate this scenario further, we consider a steeper Phillips curve slope - the upper bound of our aforementioned confidence band, a slope of 0.31. In this case, median CPI inflation reaches 3.1%.

Overall, our estimates imply median CPI inflation rising to about 2.5-3.0% by 2023. PCE inflation, on which the Federal Reserve focuses, and which has averaged about 0.2 percentage points below CPI inflation over the past decade due to methodological differences, would reach 2.3-2.8% on a median basis. Inflation of the PCE excluding food and energy, which

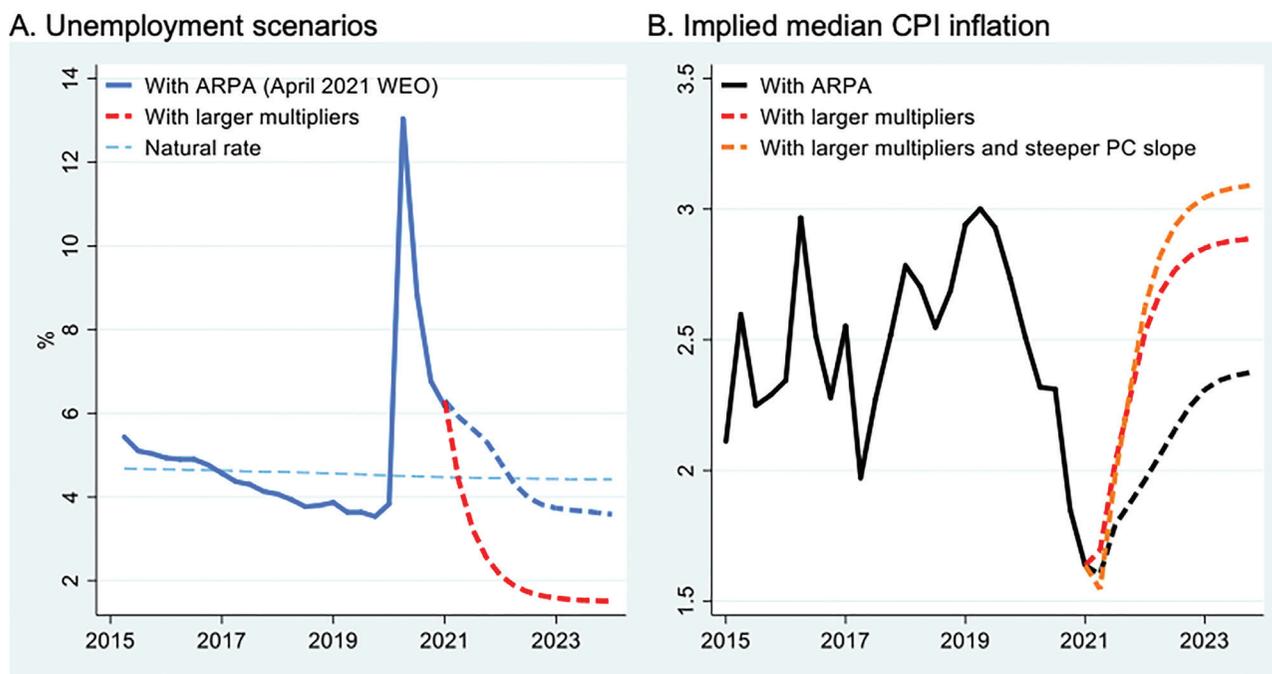
has averaged below median PCE inflation by about 0.5 percentage points reflecting disinflationary relative price changes, could, if these persist, be in the 1.8-2.3% range. Such outcomes would be broadly consistent with the Fed's average inflation targeting strategy with inflation modestly overshooting its long-term level following a number of years of undershooting it.

## UPSIDE RISKS

Inflation could rise higher than we envisage if expectations de-anchor and rise with actual inflation, resulting in a self-fulfilling inflationary spiral. How likely is such a scenario - which has not materialised for several decades - to occur with the temporary pandemic relief package currently being implemented?

Blanchard (2021) concurs that current Phillips curve estimates do not yield predictions of high inflation but emphasises that the aforementioned sharp

**Figure 3. US inflation could rise to 2.5% or more by 2023**



Note: WEO = IMF World Economic Outlook. ARPA = American Rescue Plan Act. PC = Phillips curve.

fall in unemployment could de-anchor expectations and steepen the Phillips curve, resulting in a self-perpetuating rise in inflation and costly policy trade-offs. He cites the example of the 1960s, when unemployment persisted below its natural rate and inflation rose from below 2% in 1961 to nearly 6% by 1969.

At the same time, the rise in government spending in the 1960s was not, as Gagnon (2021) underscores, a one-time relief bill along the lines of ARPA but rather reflected longer-term commitments to finance the Vietnam War and Great Society programmes. A more appropriate reference for today is the temporary government spending and inflation during the Korean War in the early 1950s.

Moreover, the Fed's communication and policy framework are now more credible and consistent with explicit policy goals than they were in the 1960s and 1970s, which further limits de-anchoring

risks. Inflation has undershot its long-term expected level for much of the past decade - sometimes by more than the inflation overshoot we now predict - with little evidence of de-anchoring. Also, the structure of the economy is now more open to foreign competition and labour markets are more flexible, which would further dampen price pressures.

Finally, a period of low unemployment could have positive supply-side effects, further mitigating inflationary pressure and reducing scarring from the COVID-19 crisis. Positive supply-side effects could arise, as Ball (2015), Blanchard (2018), Powell (2018) and Yellen (2016) discuss, as more (discouraged) workers re-enter the labour force and efficiency-enhancing job switches increase as labour markets tighten, enhancing human capital through on-the-job training, and prompting investment as well as research and development.

Overall, we see little risk that the cur-

rent temporary government spending for pandemic relief causes an inflationary spiral. We expect instead a rise in inflation that is modest and temporary. We have focused in this column on the impact of the ARPA. The recently unveiled American Jobs Plan proposal, still under discussion, would further reduce unemployment, but the spending is likely to be spread over a longer period, be partially offset by tax measures, and raise potential output through increased infrastructure investment. These factors could limit overheating concerns. Nonetheless, as the plan is being firmed up it is important to keep in mind the lessons from the past. More persistent and unfunded long-term commitments with limited supply-side benefits could pose greater inflationary risks. Should such upside risks to inflation arise, they would complicate the exit from the Fed's very accommodative monetary policy stance.



ECONOMICS  
GELA BARSHOVI

# “HIGH NET WORTH INDIVIDUALS” ARE ENTITLED TO OBTAIN A GEORGIAN TAX RESIDENCY CERTIFICATE WITHOUT SPENDING 183 DAYS IN THE COUNTRY



## INTRODUCTION

If you aspire to become a tax resident without having to spend six months in a country, Georgia may be one of the best options available to you.

In general, Georgia applies a 183-day threshold for determining an individual's tax residency. Specifically, a natural person should spend at least 183 days in twelve consecutive months in the country to become a tax resident for a specific fiscal year in Georgia.

Apart from the general clause, another, more specific rule of tax residency is in the Georgian tax code, the so-called 'High Net Worth Individual' (HNWI) tax residency rule, according to which, a natural person qualified under HNWI can become a Georgian tax resident without spending even a single day in the country.

## ELIGIBILITY REQUIREMENTS TO QUALIFY FOR HNWI STATUS

**High Net Worth Individuals:** Natural Persons who either own assets worth more than 3,000,000 Georgian lari (GEL) (approximately \$910,000), or have received more than 200,000 GEL (approximately \$60,000) annual income in each of the last three calendar years from the year of the application (e.g., 2018, 2019, and 2020 - if the application is made for the fiscal year 2021).

**Please note:** Sometimes tax authorities require an asset valuation report from a licensed expert showing the market value of the assets. The valuation report may be required for fixed assets and other tangible properties while for some other types of assets no such proof is needed (e.g., an official signed bank statement

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might suffice as proof of funds).

To apply for a tax residency certificate, besides meeting the criteria of 'High Net Worth Individuals' (as described above), a person should either hold a residence permit or citizenship in Georgia (a residence permit and working permit is different to a tax residency certificate), or demonstrate that he/she received at least 25,000 GEL (approximately \$7,500) from a Georgian source in the calendar year when the application was submitted.

More precisely, a person applying for a tax residency certificate in Georgia as a 'High Net Worth Individual' needs to satisfy the following criteria:

1. Demonstrate ownership of assets with a value of at least 3,000,000 GEL OR demonstrate receipt of at least 200,000 GEL of annual income in each of the last three years AND hold a residence permit (or citizenship) in Georgia.

**Or**

2. Demonstrate ownership of assets with a value of at least 3,000,000 GEL OR receipt of at least 200,000 GEL of annual income in each of the last three years AND demonstrate receipt of at least 25,000 GEL from Georgian sources in the calendar year when the HNWI tax residency application is submitted.

**Please note:**

If you prefer to obtain a residence permit instead of demonstrating the receipt of 25,000 GEL of income, you should visit Georgia and go through all the required procedures. There are several ways to obtain a residence permit, which are not mentioned in this article.

The 25,000 GEL of income should be received from a Georgian source (foreign-sourced income will not count). Article #104 of Georgia's tax code determines the categories of income considered as being from a Georgian source.

## WHY IS IT BENEFICIAL

## TO BE A GEORGIAN TAX RESIDENT?

Before applying for a HNWI tax residency certificate, you should make sure that:

- Georgia is a suitable place for you to be a tax resident, and
- Any income declared in Georgia (taxed or exempted) will not be taxed in other jurisdictions.

Here are several reasons why Georgia is an attractive place to become a tax resident:

- Georgia does not tax individuals on foreign-sourced income.

You must bear in mind that "foreign-sourced income" is not all income that is transferred to Georgia from abroad. Regarding services, the term "foreign-sourced" is somewhat misleading. In reality, a service provided by a Georgian resident to a foreigner (in other words, when a service fee is paid from abroad to Georgia) is mostly considered as Georgian-sourced income.

Fortunately, this definition does not apply to all categories of income. For instance, any passive income (e.g., interest, dividends, capital gains, and pensions) of Georgian residents from abroad is mostly considered as "foreign-sourced income" and exempt from personal income tax in Georgia.

I say mostly, as there are details to be considered and things that need to be analyzed on an individual basis to make sure that your passive income received from abroad definitely qualifies under the tax exemption.

- Georgia provides tax exemption for capital gains if an individual had ownership of the asset for more than two years before selling it;

(For certain types of assets, an additional precondition for exemption is that the asset was not used in economic activities in the last two years before selling it. This additional precondition does not apply to

shares and residential apartments).

- Georgia does not tax individuals' profit generated from selling cryptocurrency;
- For some category of business activities, an individual can obtain the status of a "small business" and pay as little as 1% personal income tax in Georgia;
- Georgia is not an offshore zone, it is a cooperative country and has quite a rich tax treaty network (56 as of today, and the 57th with Hong Kong will be in force soon);
- Relatively low prices and the possibility of profitable investment in, for example, the real estate sector;
- If you decide to incorporate a company in Georgia, you will have an obligation to pay corporate income tax only when you distribute dividends to shareholders.

For more details about Georgian tax residency, please read my previous [Forbes](#) article.

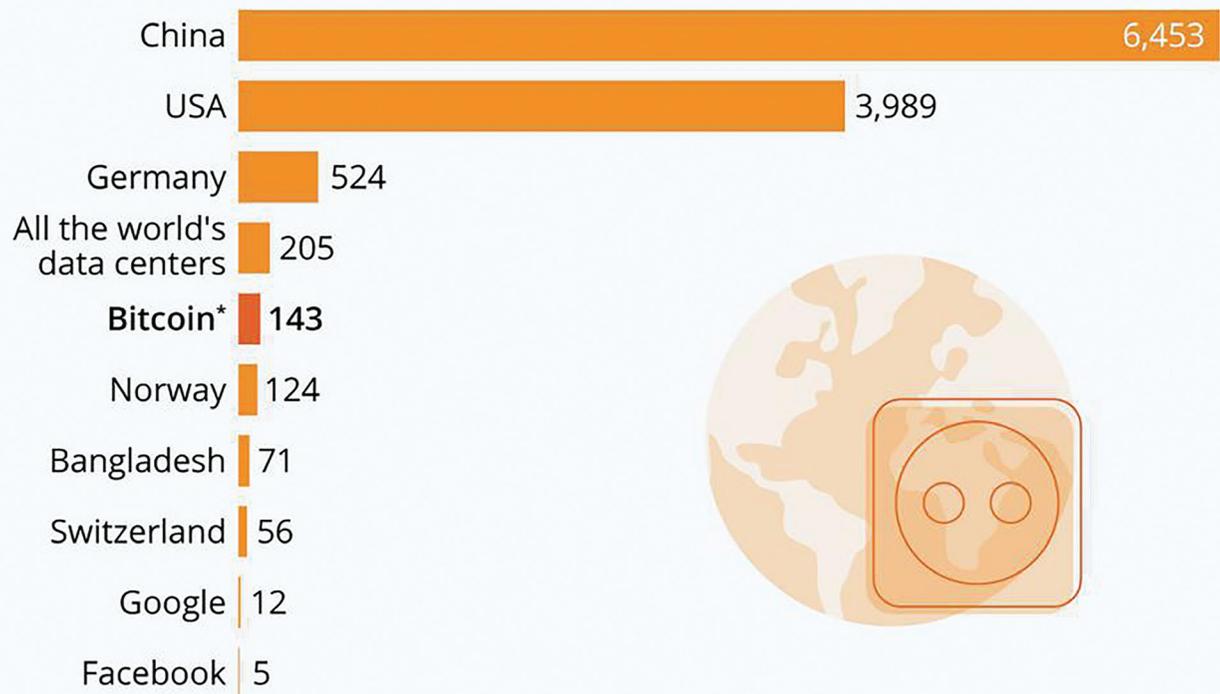
## CONCLUSION

Georgian tax law allows one to become a tax resident without spending much or any time in the country. This exceptional rule is applicable for 'High Net Worth Individuals', the term is defined in detail above. The rule might be highly beneficial for HNWIs traveling, not wanting to stay in one country long and at the same time looking for a low tax jurisdiction to become a tax resident in.

This law is especially beneficial to individuals receiving passive income from a foreign source, as this is usually exempt from personal income tax in Georgia, as well as to individuals who receive service fees that qualify under "small business" status and have a 1% personal income tax rate. Lastly, before analyzing Georgia's tax system and applying for a HNWI tax residency certificate, make sure that any income (taxable or exempt) declared in Georgia is not subject to be taxed simultaneously in another jurisdiction. 

# Bitcoin Devours More Electricity Than Many Countries

Annual electricity consumption in comparison (in TWh)



\* Bitcoin figure as of May 05, 2021. Country values are from 2019.

Sources: University of Cambridge, Visual Capitalist



Forbes **statista**

**BITCOIN, ALONG WITH OTHER CRYPTOCURRENCIES**, has been criticized for price volatility, high and variable transaction costs, poor security and use in illegal transactions. It has also been lambasted for the amount of electricity it devours through mining, a term that refers to the process whereby new Bitcoins are added to the cryptocurrency ecosystem.

Mining involves the calculation of complex mathematical equations and it is extremely energy intensive, requiring powerful and expensive computer equipment. Data from the University of Cambridge's Bitcoin Electricity Consumption Index shows that the Bitcoin network now consumes a whopping 142.59 terawatt-hours (TWh) of electricity each year, a figure that is higher than many countries.

Putting the figure into perspective, it could power all of the kettles used to boil water in the United Kingdom and the European Union for 32 years and 4.5 years, respectively. It also represents 0.57% of global electricity production and accounts for 0.65% of global electricity consumption. In fact, if Bitcoin was a country, it would be the 27th largest consumer of electricity on the planet in May 2021. Its annual electricity consumption is higher than Norway's 124 TWh and more than twice the level of Bangladesh's 70 TWh.

It is also substantially higher than the amount of electricity used by some of the world's largest technology companies. According to a further comparison carried out by Visual Capitalist, Google's annual electricity consumption amounts to 12 TWh while Facebook's totals five TWh. Bitcoin still uses less energy than the world's data centers, however, with their yearly electricity consumption totaling 205 TWh.