

ENGLISH ISSUE - OCTOBER 2021

Forbes

GEORGIA

A professional portrait of Rusudan Maisuradze, a woman with brown hair pulled back, smiling warmly. She is wearing a black blazer with a dark lapel, a gold necklace with a small pendant, and small earrings. Her hands are tucked into her pockets. The background is a plain, light grey.

A HIGHLY QUALIFIED PARTNER

Rusudan Maisuradze

On establishing her career and law
and becoming a partner at BLB

PASTA & LOVE

the bonvivant way

Beard care products containing exclusive ingredients
Three-step procedure: preparation, shaving, moisturizing



PRE-SHAVE AND
BEARD OIL



SOOTHING
BEARD GEL



AFTER SHAVE AND
MOISTURIZING
CREAM

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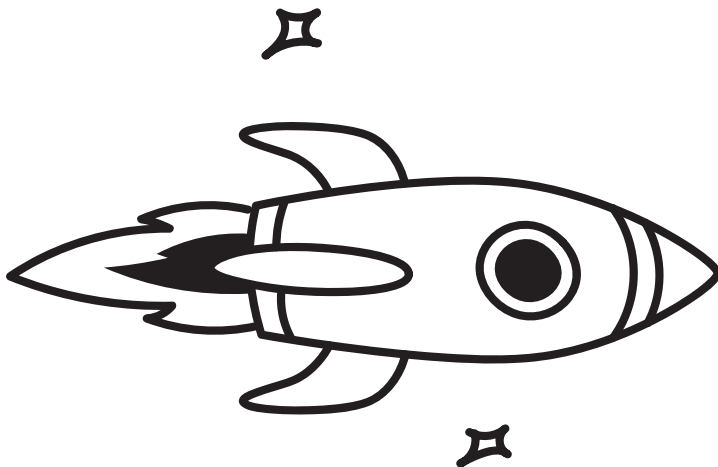
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Editor in Chief: Giorgi Isakadze

Executive Editor: Anna Eristavi

Copy Editor: Alexandre Jamal

Creative Director / Photo Editor / Designer:
Serga Nemsitsveridze

Writers / Reporters: Rainer Michael Preiss,
Elene Kvanchilashvili, Tamta Jijavadze, Gela
Barshovi, Alyona Agrenenko, Olga Ignatieva, Nini
Longurashvili

Photographers: Khatuna Khutsishvili,
Nika Paniashvili

Web Editor: Davit Tsiramua

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LeaderBoard

The World's Tech Giants, Compared to the Size of Economies

BY OMRI WALLACH

It's no secret that tech giants have exploded in value over the last few years, but the scale can be hard to comprehend.

Through wide-scaling market penetration, smart diversification, and the transformation of products into services, Apple, Microsoft, Amazon, and Google have reached market capitalizations well above \$1.5 trillion.

To help us better understand these staggering numbers, a recent study at Mackeeper took the market capitalization of multiple tech giants and compared them with the annual Gross Domestic Product (GDP) of countries.

If Apple's market capitalization was equal to a country's annual GDP, it might just be in the G7.

At a market cap of more than \$2.1 trillion, Apple's market capitalization is larger than 96% of country GDPs, a list that includes Italy, Brazil, Canada, and Russia.

In fact, only seven countries in the world have a higher GDP than Apple's market cap.

Further back is Microsoft, which would be the 10th richest country in the world if market cap was equivalent to GDP.

With a market cap of more than \$1.9 trillion, Microsoft's value is larger than the GDP of global powerhouses Brazil, Canada, Russia, and South

Korea.

Though all of the tech giants fared well during the COVID-19 pandemic, perhaps none have stood to benefit as much as Amazon.

With online retail and web services both in high demand, Amazon's market cap has grown to \$1.7 trillion, larger than 92% of country GDPs.

Saudi Arabia's state-owned corporation Saudi Aramco also makes the list, boasting a market cap more than double the GDP of its home country.

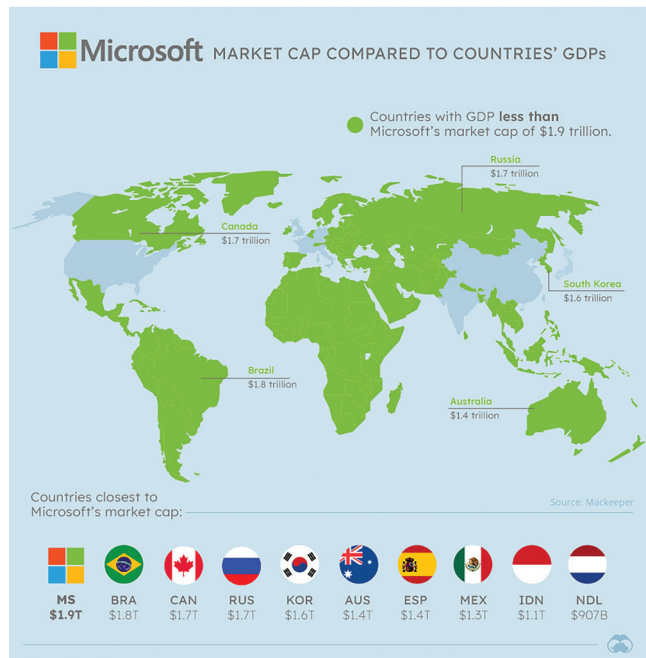
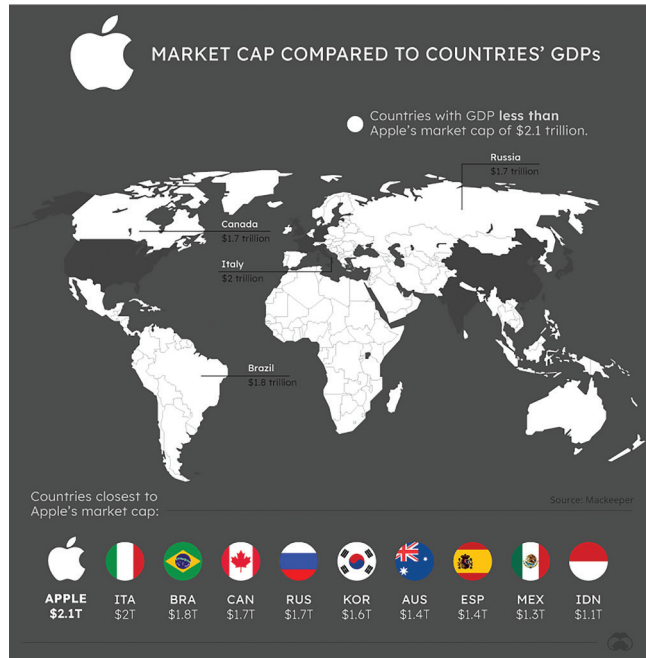
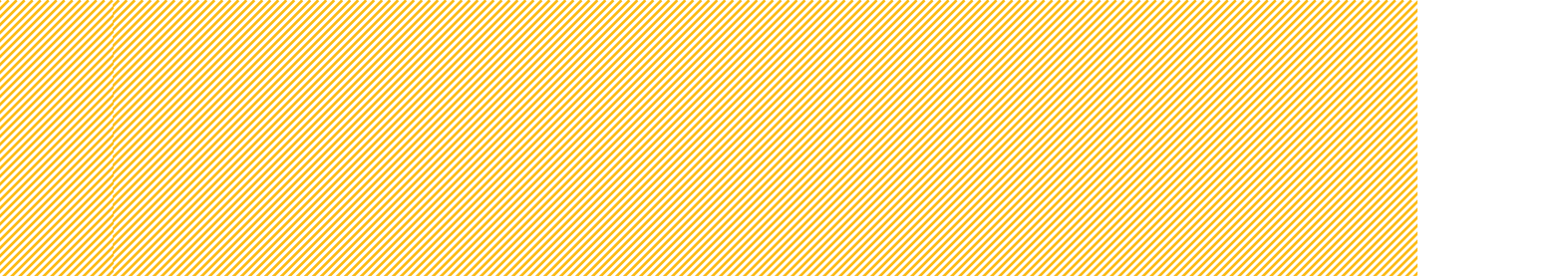
China's tech giant Tencent also has a market cap that towers over many country GDPs, such as those of Switzerland or Poland.

Until recently, Tencent was also ahead of fellow tech giant Facebook in market cap, but the social network has climbed ahead and almost reached \$1 trillion in market capitalization.

Of course, the biggest caveat to consider with these comparisons is the difference between market cap and GDP numbers.

A company's market cap is a proxy of its net worth in the eyes of public markets and changes constantly, while GDP measures the economic output of a country in a given year.

But companies directly and indirectly affect the economies of countries around the world. With international reach, wealth accumulation, and impact, it's important to consider just how much wealth and power these companies have.



LeaderBoard

The Biggest Business Risks in 2021

BY IMAN GHOSH

We live in an increasingly volatile world, where change is the only constant.

Businesses, too, face rapidly changing environments and associated risks that they need to adapt to—or risk falling behind. These can range from supply chain issues due to shipping blockages, to disruptions from natural catastrophes.

As countries and companies continue to grapple with the effects of the pandemic, nearly 3,000 risk management experts were surveyed for the Allianz Risk Barometer, uncovering the top 10 business risks that leaders must watch out for in 2021.

The Top 10 Business Risks: The Pandemic Trio Emerges

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 (2021)	% Responses	Risk Name	Business Risk Examples	Change from 2020
#1	41%	Business Interruption	Supply chain disruptions	↑
#2	40%	Pandemic Outbreak	Health and workforce issues, restrictions on movement	↑
#3	40%	Cyber Incidents	Cybercrime, IT failure/outage, data breaches, fines and penalties	↓
#4	19%	Market Developments	Volatility, intensified competition/new entrants, M&A, market stagnation, market fluctuation	↑
#5	19%	Legislation/ Regulation Changes	Trade wars and tariffs, economic sanctions, protectionism, Brexit, Euro-zone disintegration	↓
#6	17%	Natural Catastrophes	Storm, flood, earthquake, wildfire	↓
#7	16%	Fire, Explosion	-	↓
#8	13%	Macroeconomic Developments	Monetary policies, austerity programs, commodity price increase, deflation, inflation	↑
#9	13%	Climate Change	-	↓
#10	11%	Political Risks And Violence	Political instability, war, terrorism, civil commotion, riots and looting	↑

Pandemic Outbreak, naturally, has climbed 15 spots to become the second-most significant business risk. Even with vaccine roll-outs, the uncontrollable spread of the virus and new variants remain a concern.

The third most prominent business risk, Cyber Incidents, are also on the rise. Global cybercrime already causes a \$1 trillion drag on the economy—a 50% jump from just two years ago. In addition, the pandemic-induced rush towards digitalization leaves businesses increasingly susceptible to cyber incidents.



The Biggest Business Risks

Around the World

We live in an increasingly volatile world.

The Allianz Risk Barometer surveyed nearly 3,000 experts to uncover the most critical business risks to watch out for.



Business interruption consistently ranked as the top risk seven times in a single decade, long before the pandemic.

94% of surveyed companies* reported a COVID-19 related supply chain disruption.



Pandemic outbreak, naturally, has climbed 15 spots to become the second-most significant business risk.

Even with vaccine roll-outs, uncontrollable spread of the virus and new variants remain a concern.



Rushed digitalization means **cyber incidents** are more likely to become “black swans”—rare, unpredictable events with potentially severe impacts.

Global cybercrime already causes a \$1 trillion drag on the economy—up 50% from just two years ago.



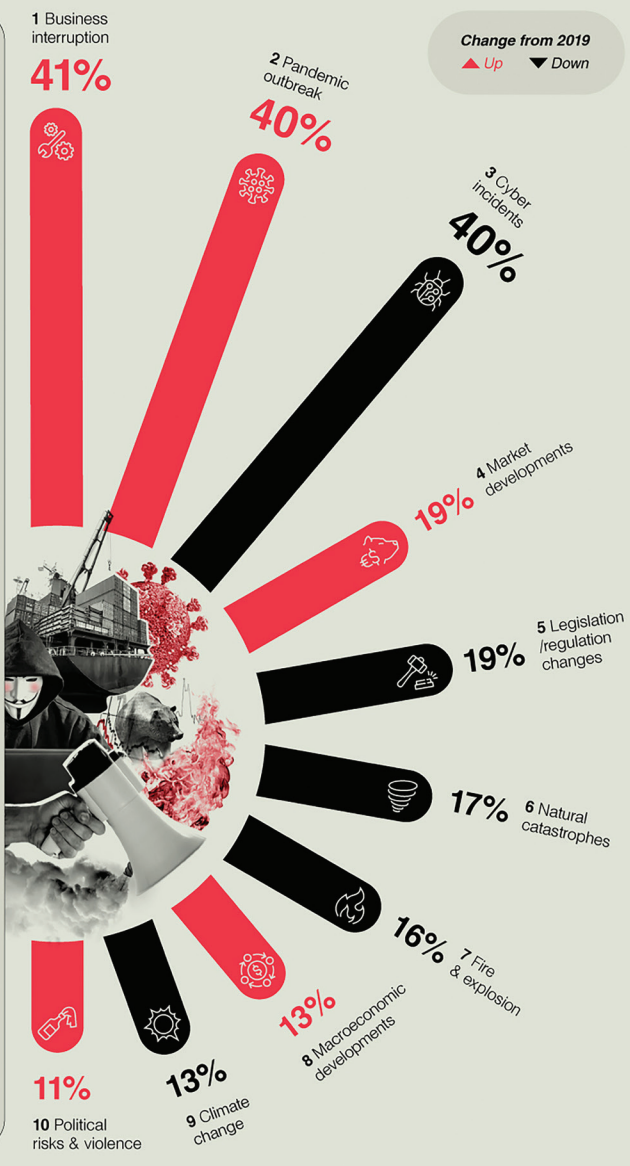
Market developments worldwide will look different now and in the future:

Short-term: Global GDP is expected to recover swiftly by +4.4% in 2021
Mid- to Long-term: A global debt burden of \$277 trillion will undercut economic growth potential.



Persisting traditional risks such as **fires and explosions** are especially harmful for manufacturing and industry.

For example, the August 2020 Beirut explosion caused \$15 billion in damages.



Note: Figures represent the number of risks selected as a percentage of all survey responses from 2,789 respondents across 9 countries and territories. All respondents could select up to three risks per industry, which is why the figures do not add up to 100%.



THOUGHT LEADERS

ALYONA AGRENENKO, OLGA IGNATIEVA
- CURRENT EVENTS

THE GEORGIAN BANKING SECTOR



ALYONA AGRENENKO



OLGA IGNATIEVA

THE GEORGIAN ECONOMY contracted by 6.2% in 2020 in response to the pandemic, with weaker business activity and exchange rate volatility affecting the financial profiles of businesses and households. Immediate pressure on domestic borrowers was in part mitigated by state support, which Fitch estimates at about 8% of the country's GDP. In addition, in 2020, Georgian banks offered two main rounds of payment holidays (up to three months each) to all individuals and select corporate and SME borrowers from the most vulnerable sectors. Uptakes peaked at a high 57% of total sector loans in March-June 2020 and were higher at about 70% in the retail segment. Most of these initiatives expired in September 2020 and borrowers have largely returned to their regular loan repayments.

Nevertheless, non-performing loans in the three riskiest categories of the economy, according to the National Bank of Georgia (NBG), almost doubled to 8.3% at the end of the first quarter of this year from 4.4% at the end of 2019. Banks' asset quality metrics are likely to further deteriorate moderately this year due to the lagged effect of the recent downturn. Fitch forecasts a 4.3% GDP growth in 2021, which should underpin business activity and promote credit demand, improving banks' revenue prospects. At the same time, the pace of economic recovery, particularly in tourism

and tourism related sectors, remains highly dependent on curbing the health crisis and the re-introduction of containment measures will weigh on growth potential.

High lending dollarization (56% at the end of the first quarter of 2021), which has barely changed since the end of 2017 despite macro-prudential measures being in place for some time, remains a structural weakness of the Georgian banking sector and could become an additional risk to asset-quality in case of further market volatility. In 2020, the lari depreciated by a moderate 13% but has strengthened since the beginning of this year.

Georgian banks entered this crisis with healthy solvency metrics and strong internal capital generation capacity, helping most of them to navigate through the crisis. NBG instructed banks to create pre-emptive provisions in Q1 2020 (3% of sector loans) against potential pandemic-driven asset quality deterioration, resulting in a low 2% sector return on average equity (ROAE) in 2020 (2019's figure was 17.5%). Banks' profits before loan impairment charges were also constrained by subdued credit growth in the challenging economic conditions. This year profitability metrics strengthened (27% ROAE in the first quarter of 2021, annualized) on the back of low provisions and improved client activity. Georgian banks' revenues will likely be further supported this year by lending growth acceleration, higher



fee income and stable margins, helped by growth in high-yielding segments, such as micro-businesses and SMEs.

Sizeable upfront provisions booked at the onset of the pandemic hit sector solvency metrics. At the same time, in the first quarter of 2020, NBG relaxed capital requirements by cancelling the capital conservation buffer (2.5% of RWAs) and reducing the currency-induced credit risk buffer by two-thirds. This resulted in lower capital requirements of between 3 to 4 percentage points, albeit the impact varied between banks. Since then, banks

have been gradually building up their capital cushions, though sector regulatory solvency ratios (Tier 1 and a total capital adequacy ratio of 14.2% and 18.7% respectively) still remain below 2019 levels (14.6% and 19.5%). Dividend payouts are restricted by NBG, pending the recovery of capital ratios. However, the two largest banks have recently announced a restoration of capital buffers with cash pay-outs to be resumed this year.

Georgian banks are mainly funded by customer deposits (70% of Q1 2021 liabilities), and these have been broadly stable

throughout the health crisis. Foreign liabilities make up about a third of sector funding, but banks have maintained good access to international markets, namely through funding from international financial institutions (IFIs), thereby reducing refinancing risks.

The health crisis is not over yet, but Georgian banks have been coping with the challenges reasonably well so far and are likely to return to pre-pandemic profitability in the near term, whilst working through the problems of asset quality is likely to be a prolonged process. **F**



THOUGHT LEADERS

RAINER MICHAEL PREISS - CURRENT EVENTS

THE POST-CORONAVIRUS RISK OF STAGFLATION



GLOBAL FINANCIAL MARKETS run on narratives. While stagflation is still not the mainstream nor the Wall Street sell-side base case scenario, six Nobel Prizes have been awarded to works that stated that stagflation is all too possible. Milton Friedman (Nobel prize 1976) most famously gave credibility back to the Federal Reserve as his policies helped end a period of stagflation.

With the economy slowing down faster than expected, there has been a deceleration in growth larger than expected, but also inflation data higher than expected. As a result, the stagflation narrative has come back on investors' radars and might still be an underappreciated risk by investors, as many fear that the pent-up demand burst in post-pandemic activity could start to slow, while inflation may accelerate to high levels with ultra-easy monetary policies in place.

Stagflation is considered to be when the rate of inflation is high but economic growth has slowed and unemployment remains elevated. This troubling mix of stubbornly high inflation and flat economic growth might well be the single biggest market risk economies now face.

Conventional thinking in economics often states that stagflation is supposed to be impossible. Stagnation means a standstill in economic growth, and inflation comes from too many dollars chasing too few goods.

How can you have all that chasing of goods without jobs and production moving up in turn? Well, stagflation is a "portmanteau" term, where two things that you might not expect to be together fuse into one thing.

In the 1970s, investors saw the unemployment rate go from 4% to 9% and inflation rose from 1% to 11%. Historically, stocks and bonds do poorly in periods of stagflation. Precious metals (namely gold and silver) perform best followed by commodities (especially oil).

The years of quantitative easing were characterized by concerns about deflation, but in a post-COVID-19 world, stagflation could be a real risk for investors and investment portfolios. Central banks could also become victims to their own rhetoric that "inflation will be transitory." After the pandemic, extraordinary amounts of accommodative monetary policy by central banks and fiscal stimulus from governments may well prompt more inflation. European politicians, like former Italian Prime Minister Mario Monti, stated that the greatest threat to Europe's economic recovery from the Coronavirus pandemic is stagflation.

Though sustained inflationary forces from higher commodity prices are neither part of expectations nor official forecasts in the United States or Europe, other sources of inflation are rising in Europe and the U.S. threatening the lower-prices, lower-bond-yields thesis. Carbon prices, the future cost of power, natural gas and

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



shipping are all at record highs.

For financial markets, the question of whose inflation expectations matter to monetary policy and which indicators should be monitored are important. In terms of inflation pressures arising from labor and goods markets, it would be appropriate to consider inflation expectations across businesses and households that are engaged in these markets.

Stagflation is “a legitimate risk” that would be painful for “peak valuation” equity markets and is absolutely the biggest risk for every investor in long only portfolios. In a stagflation scenario, the stock-bond correlation could break down. Traditional portfolios made up of 60% stocks and 40% bonds could see a “disastrous outcome” should stagflation become a market reality. A scenario of stocks and bonds selling off together would be the ultimate risk-off environment. Where AI driven selling begets selling.

Stagflation could pose a major problem because central banks cannot really come to the rescue and cut interest rates anymore. The US Federal Reserve has been letting the economy run hot, aiming for more progress in the American labor market. In August 2021, United States wholesale prices rose 8.3% on an annual basis, the biggest

advance on record.

Some argue that inflation is transitory. But the United States’ two largest markets – labor and housing – suggest that significant inflation will be sustained and so too do reports of rising shortages everywhere, from supermarket shelves to semiconductors.

Portfolio review discussions increasingly need to focus on the changing market narrative from reflation to stagflation, and how to position multi-generational investment portfolios for the real risk of stagflation. Whilst the reflation scenario is being sold and promulgated by the Wall Street sell-side – banks and brokerages see a strong pick-up in global economic growth and inflationary pressures – stagflation suggests there will be higher inflation without much real growth.

So far, many economies around the world seem to have strengthened according to inflationary data. Yet, with inflation rising to levels last seen thirty years ago and with unemployment remaining stubbornly high amid the COVID-19 pandemic despite massive policy stimulus, we may again be entering a prolonged period of stagflation.

Equity markets, however, are still pricing stocks and sectors on the assumption that the problems hindering growth will be resolved. Investors’ risk appetite might

change when economic growth might not be strong enough to sustain the record high asset prices. In a stagflation scenario, equity valuations will need to correct according to the real economy’s activity. Otherwise, nominal growth (real growth plus inflation) may continue to rise through inflation, thereby eroding value from asset prices.

Consumer staple stocks with attractive dividend yields coupled with Global Emerging Markets’ value stocks might fare best to protect portfolios from stagflation risk. Staples will be a good market sector because they are necessary to live despite high inflation.

Rising inflation will eventually translate into higher interest rates and thus a higher discount rate on future cash flows. This could hit duration assets – such as long dated fixed income and expensive valuation stocks – the most.

The relationship between economic growth and inflation changes during periods of stagflation. Stock market metrics like earnings yield models and equity returns models exhibit different behaviors between periods of stagflation and non-stagflation. Stock market investing and portfolio construction, therefore, needs to be approached differently during periods of stagflation. **F**

At the Epicenter of the European Financial Industry

The global financial industry is entering a new phase of development. Despite the difficulties and ambiguities caused by the pandemic, large banks are taking bold steps and making solid investment decisions, which analysts say will help develop banks, asset management companies and other financial services. Among them is the largest German financial institution Deutsche Bank, whose total assets at the end of 2020 amounted to €1.33 trillion. Forbes Georgia interviewed Nikoloz Donadze, one of the vice-presidents of Deutsche Bank, who monitors banking trends from the European financial center in Frankfurt.

BY TAMTA JIJAVADZE

Mr. Donadze, you have been Vice President of Leveraged Finance at Deutsche Bank (DB) for more than two years. How would you describe what you do?

Our leveraged finance department provides structured credit solutions in the EMEA region for primarily Private Equity backed transactions such as LBOs, carve-outs, refinancing, growth capital, pre-IPO, or post-IPO financing. We also provide our clients with financing for strategic takeovers of corporates on their way to acquisitive growth. Our clients are well established European based large and medium sized enterprises and DB is one of the leading finance institutions in this segment in Europe and worldwide.

You used to work in the same position in the UK, how would you compare these two countries in terms of development and the specifics of Leveraged Finance?

Firstly, I would like to touch on the similarities of those two markets, especially considering the low interest rate environment in Europe since the financial crisis in 2008, investors' focus in investing in alternative asset classes such as Private Equity funds rose significantly. Private Equity backed transactions are characterized by a relatively high portion of debt financing and the lending market traditionally mirrors the PE-backed LBO-market.

This was the reason for unprecedented growth in the market in both the UK and Germany. However, there are differences observable in the dynamics of how the markets in these countries develop. Whilst the market environment in the UK and all stakeholders are more open to Private Equity funds and their activities, German society and politicians traditionally showed more skepticism to this industry. Thereby assuming a largely profit-oriented approach of such funds rather than focusing on social well-being.

Overall, it can be stated that the UK market is the first country in Europe to adapt to new trends coming from the more advanced US LBO market, which historically spread with some delay across the rest of Europe (including Germany). In this context, it is not surprising that the relatively newly established asset class - so called Private Debt Funds - has experienced significant growth in the UK before they increasingly began to enter other markets, Germany among them. The UK has historically been and remains the largest LBO market in Europe, although the country has faced some headwinds related to the uncertainties regarding Brexit and the weakened sterling. However, this asset class has proven its robustness over cycles in Germany and enjoys increasing popularity across market participants. This increasing acceptance coupled with the German economy's resilience with a large base



of medium-sized, family-owned companies has led to accelerated growth in this area, giving it the potential to catch-up with the UK market in the long-run.

The German financial industry is one of the leading contributors to the country's economy. What challenges do you see in this sector? How fast is it developing and what are the obstacles?

The financial industry, and banks in particular, face several considerable challenges. It is known that the low interest rate environment of the last decade led to shrinking revenues across all financial institutions in Europe. The reversal of this is not on the horizon and will remain a major challenge for financial institutions. On the other side, increasing regulation in the areas such as compliance, the prevention of financial crime, and increased capital requirements have all led to significantly higher cost base for banks adversely affecting their profitability. Furthermore, with more than 1,500 financial institutions in Germany the banking environment is highly competitive additionally pressurizing profits. Even though a consolidation of the banking sector is already visible; we might see accelerated pace in the mid-term. Digitalization is another challenge for upcoming years that will require substantial resources to be adopted in line with changing customer behavior.

You work in the German financial sector, where the head offices of many financial institutions are located. What has the pandemic done to this industry in Germany and across Europe in general?

It is not surprising that financial institutions like everyone else have unexpectedly faced difficulties related to the pandemic. In general, tighter regulation post the financial crisis, regular stress tests undertaken by national banks and "lessons learned" from the financial and later the sovereign crisis in Southern Europe have well prepared institutions for economic shocks. Having said this, the magnitude of the COVID-19 outbreak is something that no one could foresee. There was barely any industry that remained unaffected by the country-wide lockdowns. In particular, businesses, who suffered financial distress pre-Coronavirus, have been heavily impacted. Banks in Germany have quickly adjusted their approach by focusing on their portfolio and supplying existing clients with the required liquidity. The timely reaction of German and European governments - through large scale financing packages - paired with banks,

who also provided funding to the economy, has helped businesses to overcome liquidity shortages relatively successfully during the pandemic so far. Even if today no one can predict the future of the pandemic, it is obvious that the swift joint approach of both governments and the banking sector in Europe avoided the worst-case scenario and many insolvencies.

The health crisis also showed that certain industries - such as the technology sector - have even benefitted from the pandemic, whereas for some businesses - such as aviation or tourism - it will take longer to recover and return to pre-COVID-19 levels. In the second half of the pandemic, after existing clients had been adequately supplied with the required liquidity, lenders have continued to increasingly support their new clients and we can see there is growing activity in the current financial year. In retrospect, a positive balance can be drawn so far on the outcome of probably the most severe crisis in decades.

I would also like to ask about regulations in Germany and the EU's financial sectors. Analysts often say that regulations are quite strict, and this hinders flexibility. What is your view?

This is no doubt true. Before the international financial crisis extensive deregulation of the financial sector took place in major developed countries. With the outbreak of the crisis in 2008, this trend reversed and the G20 countries initiated reforms to regulate the financial markets with the aim to strengthen the robustness of individual institutions and increase overall financial stability. Regulations were manifold and included reforms for minimum capital requirements, regulation of liquidity to avoid liquidity shortages, creation of the single resolution mechanism to protect taxpayers in the event of bank failures and maintain financial stability. Leveraged Finance as a lending class was no exception either. In 2017, the ECB published a guidance for banks on leveraged transactions with the aim of establishing sound origination and risk management practices to facilitate adequate financing of the real economy. The implementation of the new rules tied up banks' resources and further increased their capital requirements, massively impacting their cost base. Tighter regulation is expected to continue over the upcoming years and it remains one of the major challenges for financial institutions to overcome.

An increasing number of fintech companies are giving the banking sector competition. What is the response

of the German traditional banking sector to this?

This is an accurate observation. Fintech companies have started to compete with the traditional banks across almost the entire value chain. They are fast, innovative, agile and have a high degree of client orientation, building their business model around factors such as convenience and innovation. Beyond that, they are the forerunners of digitization in the financial services market working on the platform principle. Established financial institutions are also improving their know-how in these fields and can rely on their long-standing relationships with their clients. These strengths - the innovativeness and agility of Fintech companies and the strong client base of the banks - offer attractive opportunities for both to supplement each other and cooperate in multiple fields, such as cash management for instance, in a classic win-win manner. Fintech companies are increasingly seen as potential partners to work with to develop new services for their clients. Banks and the Fintech space learn from each other and are getting closer, thereby making the economy more efficient.

Do you observe any development in the Georgian banking sector and what is happening in the Leveraged Finance space?

I have been observing the banking sector and its dynamics in Georgia, although I would not claim a high degree of familiarity with the local banking market. From my point of view, Georgian banks showed solid growth and delivered sound profitability over the last two decades. However, the banking sector as such appears still relatively small to me, judging by the scale of their consolidated assets. There are a couple of players dominating the market and increased competition would come to favor local corporates and private clients with an ultimate positive impact on the economic growth of the country. This is however a long-term process and presumably it will take some years to align the scale of the banking sector to the country's economy. Regarding the banking environment around Leveraged Finance, the entire CEE (Central and Eastern Europe) region accounts for a low single digit percentage of the European LBO market, indicating that countries (including Georgia) lag well behind their Western European peers. There are several crucial aspects needed to build a functional, reliable environment for LBO lending. In order to attract foreign asset management companies, it is imperative the region demonstrates long-term political stability - within

the countries themselves, but also in their foreign affairs. Also, a harmonization of the local legal framework with the Western European markets, alongside appropriate regulation of lending would be a solid base from which to build. Furthermore, the professionalization and development of Georgian asset management companies is necessary - deploying their funds in this asset class would be beneficial for the market as a whole. Finally, Georgian based businesses must achieve a certain scale and must demonstrate resilient growth over a longer period of time, as well as diversify their revenue streams across a larger number of geographies, preferably beyond post-Soviet countries, where the vast majority of the country's exports is concentrated. The aforementioned aspects represent notable hurdles to develop an efficient Leveraged Finance market, and this will not happen overnight in Georgia.

The pandemic caused digitalization to a large part of the services in the Georgian banking sector. Was this the same in Germany?

For a couple of years now, the digitalization of services has been on the agenda of German banks. The process towards improvement of digitized services started before the pandemic. However, the rapidly changing behavior of clients during the last one and a half years and increased demand on digitized banking products, such as cashless payments for instance, will accelerate the process. This applies to both the digitization of services to the end customer and to bank-internal processes to achieve a higher degree of efficiency and agility.

Today, no one doubts that successfully developed and implemented digital solutions coupled with up to date functional IT will be a critical factor for German banks to succeed in this highly competitive environment. The first successful results are already visible but there is much more to come in the following years.

And finally, do you have any plans related to Georgia?

Despite my desire, it appears rather challenging to connect my professional future with Georgia in the short term. In the long term, however, I remain optimistic and would be delighted if I had an opportunity to someday apply my professional experience in a Georgian company. This would be a great privilege for me. 

The views expressed in the interview are the opinion of the respondent and not the views of Deutsche Bank.



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HYATT CENTRIC

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FORBES OCTOBER 2021

BATUMI CENTROPOLIS

They say that every success story starts with a bold idea. That is precisely how the story of Alliance Group began and continues to this day. The company first appeared on the development market in 2005 and helped revolutionize the real estate sector in Batumi. Construction of modern residential homes and the first aparthotel in Georgia was followed by the introduction of several global hotel brands in the seaside city. Now the company intends to turn Batumi into a center for business tourism and business development. Alliance Centropolis is the name of the idea that was born before the pandemic and is being implemented during this difficult period. The initial cost of the project is \$380 million, and it is due to be completed in 2025. The project incorporates a business center, a shopping center, apartments, a casino, a Hyatt hotel and, most notably, the World Trade Centre, which will add Batumi to its illustrious list of locations that includes major cities such as New York, Paris, London, Dubai, Hong Kong, Tokyo, and Sydney. The project initiators say that Adjara will attract numerous international companies and business tourists. The Head of Business Development at Alliance Group, Temur Bitsadze, tells us about the company's plans of turning this idea into reality.

BY TAMTA JIJAVADZE
PHOTO: NIKA PANIASHVILI





Let's start with the business center. According to you, this will be one of the first premium-class business tourism projects not only in Georgia, but also in the whole region. Why did you choose Batumi as the project location?

According to the latest figures, there are 177,000 legal entities in Georgia, which is a high figure per capita. There are many business centers in Tbilisi, and more are being built. The capital is saturated in terms of office space, while the opposite is the case in Batumi. We knew that no other business centers had been planned for this seaside city, and that was one of the main reasons why we decided to build ours here. Moreover, offices in Batumi are located on different streets, and there is potential for migration to business centers. This is a good trend and a good argument for building a business center here. We also decided to focus on foreign companies, which will make the development of the office market in Batumi particularly lucrative. This is important not only for the city, but for the country as a whole, as international companies will start congregating here.

Alliance Centropolis will also house the World Trade Centre, which you are planning to turn into the epicenter of business tourism. Bearing in mind that MICE tourism is currently getting a foothold in Georgia, what are you expecting to achieve from this project?

It is important to note that we are not talking about a shopping center or a shopping mall, as many people in Georgia seem to associate because of its name, as they both are pronounced the same way. This will be the Georgian branch of the World Trade Centre's Association - one of the world's largest trade associations with over three hundred member organizations across more than one hundred countries. The World Trade Centre will play the role of a mediator for local businesses on the international market. This will be a place where global experiences get shared. For example, businesses that operate in Georgia and wish to expand internationally will be assisted by the World Trade Centre in this process. The knowledge and experience of WTC experts and professionals will be useful both for the local market and foreign businesses seeking to

familiarize themselves with our market.

Batumi is currently known as a summer resort that only attracts tourists for six months a year. There are few visitors in the remaining months even though the city has all the necessary infrastructure for a good holiday, including fashion shops, restaurants, night clubs, casinos, entertainment, and a beautiful beach with a boulevard. So, how can the city attract more tourists during these months? This is where business tourism becomes particularly important. If we can turn Batumi into an attractive location for business tourists, the whole country will benefit. The World Trade Centre will help us in this process. When an association of this stature comes to the city, you can expect that it will use its extensive list of contacts to easily attract international conferences, exhibitions, and business meetings. We intend to turn Batumi into a regional hub for MICE tourism.

How do you plan to achieve this? What makes you confident that they will choose to come to Georgia?

Global practice shows that whenever a World Trade Centre is built in a country, international companies always start showing interest in that market. Moreover, Georgia has an excellent strategic location - think about the Silk Road. The Alliance Group wants to take advantage of this opportunity. We plan to establish a special team that will work on attracting foreign businesspeople, conferences, and exhibitions to Batumi. Due to Georgia's strategic location, we expect numerous large international organizations, as well as brokerage, insurance, logistics and transport companies to start operating in Georgia to connect Europe and Asia. This process is inevitable. Our team will establish contact with these companies and offer them advantageous terms to set up offices in our business center, where approximately 10,000m² of office space is available. All these firms will definitely also want to have an office in the World Trade Centre, which will help us achieve the project goals.

The implementation of all projects, including the large scale projects like this is always accompanied by risks. What obstacles do you see considering that the restoration of the world tourism, according to various estimates, will take 2-4 years?

Pandemic is one of the biggest risks that any busi-

ness in today's world can have. That's our only risk. For us, the possible obstacle is the restrictions caused by the pandemic, which may interfere with our work. According to the forecasts, the restoration of the global tourism will take a maximum of four years and the completion of our project is also planned in this very period. So, we think the risks we see will actually be reduced to zero.

Alliance Group has brought global hotel brands such as Marriott, Wyndham, Hilton and now Hyatt to Georgia. What process do you go through to convince brands of this stature to enter such a small market? Did you encounter any obstacles in negotiating with Hyatt?

Georgia is perceived as a small market, which often makes it hard to negotiate with global brands. Bringing in Marriott back in 2015 was particularly challenging, as it was our first deal of this kind. It is difficult for a company without any experience working with such brands to lure big names to the country, especially since we were ambitious enough to start with Marriott. The talks lasted for a year while Marriott were studying our company's history, our past projects, and even the individuals associated with these projects. Afterwards it was much easier to negotiate with Wyndham and Hilton, as we already had the experience. Our case was also helped by the growing tourist numbers that Georgia was posting before the pandemic.

As for Hyatt, we started negotiating with them in 2019, but were initially rejected due to this brand's earlier unsuccessful experiences relating to Georgia. After we signed the agreement with the World Trade Centre in January 2020, which strengthened our position in negotiations with international brands, we decided to contact Hyatt once more. This time we were successful and received their approval in October 2020. This happened during the second wave of the pandemic, which is a remarkable success that clearly reflects our company's growing reputation on the international market.

Alliance Centropolis also includes apartments. Who are your core customers in this segment, and what are your sales figures?

Russian nationals used to make up the largest group of buyers of apartments in Batumi, but their share decreased after the suspension of direct flights from



Russia in 2019. Demand from Armenia and Azerbaijan also fell after last year's war between the two countries. Finally, the share of Israeli buyers decreased - once again, due to conflict. All of this gradually affected our sales, and we found ourselves in a challenging situation. We cannot rely solely on the domestic market, as Georgian nationals account only for a third of the sales. This is not enough to successfully operate the premium segment. We, therefore, started to focus on other markets such as Arab countries, Central Asia, and Japan. Our team successfully managed to attract buyers from these countries to compensate for the decreased sales in the aforementioned markets. When faced with obstacles and challenges, you must be able to respond adequately and take appropriate steps.

In June this year, the real estate market in Batumi grew by 47% compared with the same period in 2019. What are your expectations in this regard? As the bulk of your projects are concentrated in Batumi, do you feel growing competition in the city?

Many premium-class projects have appeared in

Batumi, but we were the first company to introduce the aparthotel concept and bring international brands to the city. Since then, numerous developers have tried to offer the same concept on the market, but their price level, concepts, quality, and infrastructure significantly differ from ours. I can confidently say that we are the market leaders in this segment, and I believe that Alliance Group has no rivals in Batumi.

Newly built premium apartments constitute the fastest growing segment in Batumi. The number of transactions in June this year was three times higher than in 2019. Why do you think this is happening despite the pandemic? What does this growth mean for business, and to which trends does it point?

There may be several reasons for this. First, 2020 was an unsuccessful year compared to 2019. People wanted to buy apartments and invest money during the pandemic but held back due to the unstable environment and unclear future. As a result, there was a lot of accumulated demand at the beginning of this year. Furthermore, people got used to the crisis and adapted

to the pandemic. Buyers started displaying more confidence. As a result, these statistics are likely to be partly the result of accumulated demand. Another likely reason is the growing confidence in real estate as a form of capital. Due to the volatility of currency exchange rates in 2020-2021, people started saving their resources safely and investing in real estate. Naturally, this trend will have a positive effect on developers operating in the premium segment, and that includes us.

Do you think this trend will persist?

Since people are more positive about the future now than they were in 2020, this trend might indeed persist. We cannot judge by this summer's figures alone. Let us wait and see what happens in autumn, and then we will be able to draw more precise conclusions.

How effective were the government's stimulus measures for the development sector? I am talking specifically about the mortgage interest subsidy programme implemented last year. Also, will the subsidy programme for large families, which is due to come into effect in September as part of the 10-year plan, be useful for business?

Generally speaking, any stimulus measures are good for our sector. However, these must be targeted initiatives for them to be effective. The 2020 subsidy programme helped many developers and families. It also had a positive effect on sales figures. Our company could not benefit extensively from this programme, as our focus is on the international market, and reduced foreign direct investment affects our sales. It would be good if the state subsidy programme applied to foreign nationals as well.

Regarding the next subsidy programme, it is impossible to make any assessments before it comes into effect. Of course, if it benefits our sector, then we will welcome it.

Could the programme create excess supply?

The programme will run for five years, so it will probably raise demand. Increased demand would then lead to increased supply. However, developers are unlikely to act until they observe the programme in action for a year.

Prices are going up due to currency fluctuation.



You operate primarily in the premium segment. Does the volatile currency create problems for you and make the business unpredictable?

Currency depreciation hits the market hard and leads to an increase in real estate prices in GEL. We are unable to lower our prices because construction materials have become even more expensive in recent months. This prevents local customers from purchasing the product. Since 60-70% of our clients are foreign nationals, we have not been severely affected by currency fluctuation. The same cannot be said about the developers whose focus is on the domestic segment.

According to statistics, new construction permits are issued for 67 million m2 of floor area each year. However, the total floor area of the completed real estate projects is only around 22.5 million m2 per year. Why is this the case? Is it related



to the difficulty that developers have accessing financial resources?

Such a big gap represents a real problem. Lack of access to financial resources could be one of the reasons, the pandemic could be another. Furthermore, the negative statistics concern the last few years when many new permits were issued for projects that have not yet been completed. I, therefore, think that the gap between the figures will be reduced over time. At the same time, it is also clear that many construc-

tion projects are now being implemented with little investment and depend entirely on property sales. If these properties cannot be sold, then the development firm is left without resources and unable to complete construction on time. This leads to some of the projects being delayed, terminated, or mothballed.

Apart from Alliance Centropolis, your current projects include Alliance Palace and Alliance Privilege in Batumi, the health resort in Kobuleti



and Alliance Highline in Tbilisi. How are these projects coming along, and what else can we expect from your company in the future?

The Alliance Palace apartments are already in use, and the signature restaurant is operational. Alliance Privilege, which will house the Marriott hotel, is almost complete. Façade works are currently ongoing and are due to be finished by the end of the year. The alliance Highline project in Tbilisi is at a similar stage. Construction works are yet to start in Kobuleti, where

the project includes the Hilton Garden Inn hotel and apartments. In the current situation, we decided to actively concentrate on Alliance Centropolis and delay the Kobuleti project in the hope that the environment will become more stable soon.

Apart from ongoing projects, we also have other investment plans and will soon be offering new tourist services in Georgia, which will be a novelty on the local market. We will provide more information about this in the near future. **S**

A HIGHLY QUALIFIED PARTNER

BY NINI LONGURASHVILI
PHOTOS: KHATUNA KHUTSISHVILI

Business Legal Bureau (BLB) has been operating in the market since 1995, which offers it unique experience in providing highly qualified legal services. BLB is a multi-practice law firm law firm that encompasses a diverse group of lawyers with extensive knowledge and outstanding cross-border experience. The BLB team delivers impressive results and has secured significant litigation victories for its clients, who range from well-established privately held corporations and the world's most respected financial institutions to emerging companies, family-run businesses, and individuals.

Forbes Georgia respondent Rusudan Maisuradze joined the BLB team in 2019. With the addition of Rusudan Maisuradze, the BLB team has further strengthened their team in the direction of business transactions and litigation / arbitration. In addition, they are able to offer clients services in EU regulation, business & human rights, and media law.

Mrs. Maisuradze received her Master's degree from the London School of Economics & Political Science; she has excellent legal management experience in large holding companies and large-scale investment projects. Her experience also includes negotiating with state bodies, initiating large projects and leading their implementation. Mrs. Maisuradze also has experience in public service and has contributed to the development of legal aspects of Georgia's economic policy, as well as ensuring compliance with international standards. Rusudan Maisuradze was also actively involved in the legislative process and participated in the development of regulations related to trade, investment and competition.



Rusudan, let's start the conversation with your professional experience, tell us about your career so far.

Like many lawyers, I started my professional career in the public sector. My first workplace was the Antimonopoly Service of Georgia under the Ministry of Economy. It was a long time ago, but I still vividly remember the joy and excitement when I got the job. The story itself is funny, well, at least from my perspective. As a defense counsel, I participated in a workshop dedicated to antimonopoly cases. After the mock trial, the visiting US Judge, the Honorable Katie Kelly, approached me and said she was extremely impressed with my manner of leading the proceedings. Her comments served as a catalyst for my professional career. The head of the Antimonopoly Service, who was attending the workshop himself, immediately offered me a job.

For any professional, whether a beginner or someone experienced, the most important thing is to feel excited about what he or she does. I felt this excitement from the first day of my first job. It was the late 90s, a transition period from the Soviet way of thinking and acting according to more liberal and democratic values. For us, lawyers trained with late Soviet literature; commercial law, entrepreneurship, and market economy were relatively new fields that required new professional skills. Antimonopoly legislation, as well as consumer protection guidelines, were two such fields. Thus, I had the opportunity to draft new regulation. The division that I later headed was the one specifically created for this task. I completely dove into my work. I often stayed in the office till late, learned about good practices of developed countries and devoted all my time to the job I was entrusted to do. Working for the Antimonopoly Service always remains a remarkable memory of how I became a lawyer in real life. However, I did lose my first court case whilst at this job. I still smile when remembering the case. An employee was fired in a period of temporary incapacity - when labor relations are suspended according to the law. There was no way to win this case. But it is not the outcome, rather the judge that I remember. After the proceedings, she pointed at me and said that I was one of the most talented lawyers she had ever met, but no lawyer could have won that case.

While answering your question, I realized that several judges praised my skills at the beginning of my career. I guess support from experienced and respected professionals gave me the self-confidence and the strength to succeed.

And then there was the private sector?

Yes, after a couple of years, I switched to the private sector when one of the leading financial institutions in the country, TBC Bank, offered me a job. The opportunity to work for a leading bank, again came to me after successful court proceedings and another favorable comment from a judge. TBC was the place where I began developing my professional skills. I engaged in business negotiations, dispute resolution, late-night conference calls with the IMF, DEG and other international financial institutions. I negotiated deals, drafted non-standard agreements, evaluated the risks of financial projects and did the due diligence of dozens of companies. I

enjoyed what I was doing. It was at TBC that I decided to continue practicing corporate law.

The world of law is immense, and every professional has to find their own niche. I began my studies by being excited about criminal law and ended up practicing civil law. I suppose one must earn the right to say that he or she is a professional in any field of law. This comes with years of experience. At the beginning of a career, you have to grasp every chance, every case, every client, help your seniors with litigations, attend every meeting and negotiation, learn languages and acquire communication skills, read about new trends and invest in good books, participate in conferences and workshops, do pro bono work and spend your nights totally immersed in your work. In the end, if you do this, then success is inevitable. I am honored to know many fellow lawyers, very well-known names, who are extraordinarily successful professionals. All of them trod down this path.

Today, I am lucky enough to have a team consisting of hard workers such as these. Moreover, BLB associates are some of the best young lawyers and are ready for any challenging task. In BLB, we do not say, "let's do it tomorrow or later"; instead, we nail assignments immediately. As our slogan says, our duty is to provide "expert-tailored legal services".

During this long professional development period, I learned that the legal profession, besides knowledge of law, requires negotiation skills. For example, in business disputes, one cannot succeed without mastering this skill. In the business world, successful negotiation means putting a win-win solution on the table. The outcome of any negotiations depends upon a lawyer's ability to convince and negotiate the best deal. It is also preferable than going to trial. When you are able and competent enough to negotiate an agreement and deliver a win-win solution, you are the best. As a lawyer, you must always achieve the best result for your client. Of course, that's not always the case when faced with a nonnegotiable challenge.

Also, the personalities you meet during your career are fundamental constituents of success. I am grateful to all those people who saw my attitude and persistence and helped me be where I am today.

Education is also a fundamental part of success. How can one develop themselves professionally?

Continuous education at a high standard represents a crucial part of any successful professional life. Moreover, the 21st century and globalization placed new demands on professionals of any field, including in the legal space. Today, we need to excel not only in Georgian Law, but also have a good understanding of other legal systems and international regulations. The business environment as well as opportunities have immensely changed in the past fifteen years in Georgia. On the one hand, more and more Georgian companies have expanded their businesses internationally and quite successfully. Understanding the principles, rules, and structure of international trade law and international agreements, being familiar with conflict of law issues, and the ways parties to international commercial contracts try to reduce misconduct risks is crucial.

On the other hand, increasingly foreign investors are interested in

investing in Georgia. Although unfortunately, the trend has slowed down due to the pandemic, though (I hope), eventually, we will manage to continue attracting investment. To be qualified as one of the best and offer “expert-tailored legal services”, it is critical we improve our professional education constantly. BLB is the official representative of the Microsoft Corporation in Georgia; we provide legal services to DFC, EBRD, APM Terminals, to name a few of our clients. Effective and productive communication with these international investors requires multiple skills, including comprehensive legal knowledge, as well as experience and the ability to constantly learn. We need to keep up with changes, contemporary trends and novel approaches. For example, Georgia recently adopted a new law for entrepreneurs. It is a mixture of both European and British company laws, but more so the latter. Of course, the adoption of this law was a step forward to regulate the professional space more strictly. However, it might be challenging for Georgian lawyers to adjust to, as they do not understand the context of UK company law. To be more precise, besides the 2013 Companies Act, UK company law incorporates

special two-year program in European Law implemented with the help of the Council of Europe at Tbilisi State University. It was the first time I came across European Law, EU structure, core regulations, international trade law and international agreements. The knowledge I obtained in this program helped and still helps me in my work. I used it when I worked for a private law firm and later, as Chief Legal Officer at GRDC, and as a partner at Leghia. But the best decision I have ever made was doing the LLM in LSE. LSE seemed to me to be a magical place with the highest professional standards, the best learning environment, an online library and highly intellectual people. The first feeling I had was regret; in fact, I still regret that young and talented Georgians cannot experience that level of learning here. LSE was the best professional experience possible for me. I became acquainted with US and UK court decisions, and it was extremely engaging. Without going into legal details, in my opinion, when compared to us, lawyers of so-called Common Law practitioners have enormous freedom to be more creative.

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other statutory acts plus extraordinary and vast case law that interprets different provisions. Understanding these interpretations is crucial to understanding the real meaning of each clause.

I can say that I am always learning. Even today, I am not young, but I continue developing and will earn my doctorate in law from the Caucasus University. I completed my first degree as a lawyer in 1996 when I graduated from the Tbilisi Ivane Javakishvili State University.

I remember, as a child, passing the university buildings in Vake. I always asked myself if I would ever enter these campuses as a student. Then it happened just like that, and at that time, it was equal to an extraordinary achievement. The curriculum at my alma mater consisted of purely legal subjects: different fields of law, including public and private international law, environmental law, general and special parts of civil and criminal law and law on entrepreneurs, codes on civil and criminal proceedings, the theory of state and law, history of law, and so on. I was lucky enough to have the best professors in almost all subjects. Besides a solid theoretical background, these people gave me the most important thing a lawyer should have – a sense of justice.

The first time I understood the need to improve my knowledge and skills was while working for TBC. I clearly lacked competencies for negotiations with international financial institutions. So, in 2006, I did a

Before you became a partner of the BLB, what did you head up there and what has changed in terms of your duties?

I constantly need diverse challenges; otherwise, I get bored and become ineffective. Since I became a partner at BLB, the scope of my intellectual work has widened and diversified and completely occupies me as a professional. We work with international companies and investors, Georgian businesses and successful Georgians; we represent our clients in so-called “white collar” criminal cases. We counsel foreigners who are either interested in doing business in Georgia or facing legal obstacles here. Every time, the scope of the work is different and developing a strategy for each case makes every cell of my brain light up. BLB is a multi-practice law firm. Brilliant professionals like Ms. Maia Mtsariashvili, Mr. Kakha Sharabidze and Mr. David Khaindrava are my partners. One can sometimes hear our loud debates from the street. We work with a fantastic team of young lawyers plus one doyenne of law, Ms. Ana Rekhviashvili, who is our senior lawyer. The ambience is so lively and full of energy that I would not dare compare it to my other workplaces.

Having said that, I will never forget my time spent in the GRDC group and always remain thankful to the owners. Attending meetings and listening to these people during business negotiations was a unique opportunity for me. I learned the nuances of doing business from some of the most successful Georgian businesspeople. I will always be grateful to



them for this opportunity.

You have been in the legal field for years, you understand the world of law, what have you had to give up and what is important for you as a professional?

If you want to succeed in any profession, you need to sacrifice the most precious thing you have - your time. Sometimes it becomes challenging, especially when you are a parent with little kids who need your constant attention. It is not enough to be around; you have to be engaged. Every family person has this feeling of guilt and the constantly disturbing thought: "I have to spend more time with my family!" But only a few are able to afford to give up work and devote all their time to their children. I am fortunate enough to belong to the few who can. There was a period in my life when I summoned up all my courage and made this decision. I realized that my children were growing up without their parents' active participation. So, I stopped, gave up everything as a professional, and I even gave up being a lawyer. I highly respect every successful professional, especially women, who at the same time can take care of their families. I failed in that regard. Going back to your question, you are sacrificing your time, and it should be worth it. You must absolutely love the work you do.

You have been one of the leading members of the BLB team since 2019. What is the attraction of the firm to businesses and who are your main customers?

BLB is a full-service law firm offering clients legal representation in a wide range of industries and almost all areas of law, starting from representation in commercial/administrative litigations or transactions to defend their interests before investigation/prosecution authorities in criminal cases.

The main thing we offer is the firm's attitude towards the job and the service we provide to the client; this client centric attitude is part of the firm's DNA. When we represent a client, whether it is the simplest legal matter or the most complex issue, our approach is the same. We always assemble the best possible team for the matter at hand. Then the magic starts, we work with the energy, passion, and are committed like no one else until the client's goal is achieved.

As for our clients, international and local large corporations, and medium-size businesses, individuals around the world trust BLB with their most sensitive and confidential matters. Our clients range from large privately held corporations and financial services institutions to emerging companies, family-run businesses, and individuals.

We have a long-standing cooperation with the US government agency DFC (former OPIC); we have been representing them since 1996 when OPIC finalized one of its very first investment projects in Georgia; in the last three years, we have been representing EBRD in its major project financing transactions performed in Georgia. The Microsoft Corporation has been our client since 2015; we conducted the very first

campaign for the enforcement of Microsoft's IP rights in Georgia through civil action. One of our largest clients is the Poti Sea Port Corporation and its sole shareholder APM Terminals; we provide full legal support to this company. In addition, we do business with Maersk and provide them with legal representation in Georgia. Among our clients is Krtsanisi Villa Residence - one of the largest local development companies; Gloria LLC - a family-run business operating two premier class hotels in Tbilisi and Batumi. The famous Chateau Mere is another hospitality business that collaborates with us.

We do a lot of pro bono work in various industries; we are very proud of our cooperation with one of our pro bono clients, the Alexander Kartveli Association - whose main objective is to curate Kartveli's unique place in US-Georgian history to raise awareness regarding the story of an important Georgian innovator who brought to life some of the aerospace technologies of today and to his contributions to aviation science, as well as to US-Georgian relations. Personally, I teach pro bono at a private school, and I am strongly willing to expand this project of teaching human rights at public schools as well.

Where can we see Rusudan in the future? Or have you found your place in the world?

I guess I have found my place. I do the work I love! I deal with brilliant minds and fantastic people. I spend time on my favorite subjects. My working schedule, as a partner, is flexible. I can do intellectual work when I am the most productive - in the evenings. Transferring my knowledge and experience to the youth is the only additional activity I am keen to do in future.

Before the interview ends, I must ask you about Mrs. Nona Gaprindashvili's defamation case against Netflix.

Everyone who saw this mini-series was furious about the false statement regarding our legendary champion, which ignored her true achievements and her very real fight against discrimination.

As soon as I saw the last episode of "The queen's gambit", I suggested that Mrs. Gaprindashvili pursue a defamation case. Everyone in BLB was extremely enthusiastic about it.

We began negotiating with Netflix early this year, around January 2021. Kakha Sharabidze managed to hire a very reputable US law firm. We asked Netflix to correct the false statement. Negotiations lasted for several months. Netflix could have responded in many honourable ways, but instead they called their false statement about the first woman in chess history to become a grandmaster "innocuous" and refused to take any action. As a result, we began working on the complaint along with our colleagues Mr Alexander Rufus-Isaacs and Mr Rodney Smolla. Now the complaint has been filed, and the case is pending with the District Court of California. All of us in BLB are obviously very engaged and invested in the case. There is nothing more we can do at this stage. So let's wait and see what happens. **S**

New Liberty

Vasil Khodeli and his team have set themselves an ambitious goal that has a name: New Liberty.

BY ELENE KVANCHILASHVILI
PHOTOS: KHATUNAKHUTSISHVILI

This is my first-time meeting Vasil Khodeli face-to-face. The interview takes place at the head office of Liberty Bank.

Before becoming the CEO of Liberty Bank, Mr. Khodeli accumulated broad experience in the banking sector. He started as a teller and rose through the ranks, often finding himself in the right place when innovation and development opportunities arose at crucial moments in the sector - when the cooperation agreement with EBRD was established in 1998, when corporate and investment banking took hold in Georgia, and when Bank of Georgia was listed on the London Stock Exchange.

I analyze this man's story as I put my mobile phone on silent and prepare my recording device for the interview - the first question is always especially important. We meet in a brightly lit room.

It is a little bit hot, but I do not have to wait for long. I can see him smiling behind his face mask as he greets me and starts by suggesting that we address each other by our first names. I return the smile from behind my own face mask and start by asking how he managed to stay in the same sector since the age of 19.

Vasil admits that he was even thinking about leaving the sector shortly before the opportunity to implement substantial changes and achieve significant results. "I changed my mind and decided to remain in the sector. I was lucky then, and I have probably been lucky many more times in my life," he says.

I ask Vasil how his own views have changed as he strives to create a new phase for Liberty Bank. "Analyzing my experiences helps me," he responds. "Being on the front line allows you to view the business processes differently. You easily pick up novelties and once you get a taste of them, you immediately start looking for new things yourself. That is how I found myself at the epicenter of business development in banking."

I come back to my original question: how did he survive for so long in the same sector? "What drives me most is interaction with

people. One day I realized that in business, product manufacturers and consumers are not at opposite sides of the product. People must be at the center of every vision and strategy, while products and their manufacturers must revolve around them. Once I realized this, all my decisions and plans started forming a logical chain. This is what I call the right business philosophy. Without this realization, the banking business would be an expensive way to tread water."

For Vasil Khodeli, the main competitive advantage at Liberty Bank is its team. He climbed to the top of the career ladder at a time when the world is still dealing with the pandemic, which he also sees as an interesting challenge.

What kind of Liberty Bank do people need today?

Liberty Bank has a new management team that is united around the same philosophy. That is what sets us apart from the rest.

What is this new philosophy?

People - with their perceptions, experiences, and dreams. They form the starting point of all our conversations and discussions.

Do you mean people inside or outside your company?

Both inside and outside. All people have desires, worries and aspirations. This new business philosophy differs considerably from the outdated one. It is no longer reduced to a material factor alone, and management is no longer purely hierarchical. People have their individualism and values that can be identified to unite them around the same vision. The resulting process will be unstoppable. That is how I imagine the development of Liberty Bank.

It would be interesting to hear more about the hierarchical approach. Do you believe that it is outdated?

Hierarchy has always existed and will continue to exist to a



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მისთვის

George Games Co. LIVESTY



Standing from left to right: Rati Kereselidze, Tornike Benidze, Vasil Khodeli, Vazha Menabde, Teko Leshkasheli, Rati Mekhrishvili

Sitting from left to right: Davit Abashidze, Levan Samushia, Ana Nikoladze, Tamar Megrelshvili, Vato Babunashvili

certain extent. However, the units and teams that are involved in the decision-making process must feel that they have the necessary freedom and independence, and that they play a crucial role in achieving the company's objectives. The realization that you are independent, free, and capable of creating something yourself becomes a source of happiness.

How does this philosophy translate into strategy? What specific steps must be taken to ensure that happiness is the main result of any association with Liberty Bank?

What I will say now is nothing new - it is the banal truth: all leading businesses will shift their focus from product to customer. This requires specific steps, which means that you must first get to know your customers and find out what drives them. As I said earlier, these people are part of the Liberty family. They are also the ones who use our services. Crucially, all decisions must be based on the question - is this something that people require? These needs must be studied constantly. If you integrate this approach into the thought process, you will create better products and services than you would if you only took your own ideas into consideration.

The benefits of this approach for the bank are clear - better, more targeted products and services. What are the challenges?

- The change in corporate culture is the greatest challenge. We are currently analyzing this issue very seriously. We want to start by changing the attitudes and approaches. Any change, no matter how popular, creates a certain level of discomfort. The challenge is to implement the change in a manner that is least stressful for the customer and the company. We understand that our new team needs to conduct the process in a way that raises interest and receptiveness towards the change while ensuring that the process of change is effective.

Is communication the main tool in this process?

- Absolutely. More openness, more transparency and frequent communication. Personally, I devote a lot of my time to these aspects. Unfortunately, the pandemic slowed the rate of progress which we set for ourselves, but it did not change our course. We may need slightly more time to achieve our goals, but we will definitely achieve them. Since this is a free and creative process, my door is always open. All

our employees know that they can come in and share their ideas. Their position is irrelevant - everyone's ideas are valuable.

It seems that there are significant changes ahead for Liberty, including the implementation of a new philosophy to counter-balance the hierarchical approach.

That is correct. We have begun implementing a project that is designed to transform the organization and help us realize our main strategic goal of increasing customer satisfaction. We have also started to apply the agile model to various activity areas. This will help us take more flexible and quick decisions, as well as improve and diversify the services required by Liberty customers.

Where does this demand for more horizontal and team-oriented work and management systems come from?

Monotonous work is no longer attractive for the new generation. Young people make up a significant part of the Liberty team. The average age of our staff is between 30 and 35 years old. Regardless of how attractive the job may be, a young person might not even consider it if it is too boring. In our case, the opportunity to be creative and innovative is the main factor that attracts young people to us. Businesses where work processes are designed with freedom and creativity in mind are more interesting, and the banking sector is no exception.

If I understand this correctly, the whole banking sector is undergoing a transformation, rather than Liberty Bank alone, and this is completely in line with a global trend?

Indeed, the banking sector was a monolithic and hierarchical structure until now. It still retains those characteristics to a certain extent, but encouraging creativity and innovation makes the work process more fun and increases effectiveness.

Another interesting global trend is the broadening of the notion of the consumer and the subsequent expansion of competition. Do you only consider the banking sector when you improve certain products and services, or do you also consider experiences in retail and other sectors where customers are also important?

When I take decisions, I always try to make sure that there are people with a unique way of thinking, different educational background and different experiences present at the table. This combination allows us to make the right decisions. I like to experiment. For example, we recruited one of our directors from the hospitality sector, which is something we are immensely proud of. Such experiments allow us to gather advanced knowledge from the service sector and implement its best practices. We see ourselves as having a competitive advantage due to our non-standard and bold decisions - sourcing knowledge from other sectors and adapting it to the banking industry.

What would you say is your bank's main competitive advantage, and what is the objective of such a drastic change in strategy?

Liberty's main competitive advantage is its team. These creative, smart, and results-oriented people are our greatest asset. Then comes our significantly upgraded infrastructure - the software that our bank and the wider sector relies on. Starting from 2017, our core systems were fully upgraded. Apart from having the most extensive network, we also used our internal resources to establish new electronic channels in the shape of new mobile and internet banking platforms. These are top quality products created by our own team. I must also mention our upgraded and diverse service centers that we will use to interact with our customers.

The pandemic has naturally transformed this country and the entire world. It is hard to see things returning to the way they were before COVID-19. How did the pandemic affect the bank?

It was a difficult year for Liberty, the banking sector and the country's economy. However, there is also a positive side to all of this. When you are not in discomfort, it may be tempting to remain stationary and believe that you are happy where you are. This applies to people, companies, and countries alike. In our case, the pandemic ensured that we had to rearrange many processes in a short space of time. This created interesting opportunities that we did not consider before. Necessity forced us to re-evaluate, restructure and re-focus in many areas.

In another positive development that came with the pandemic, our customers shifted their focus to digital channels. All Liberty Bank personnel were actively involved in this process and enabled it to happen. This also created numerous new opportunities.

In other words, some of these new processes will remain in place after the pandemic.

At this point, nobody knows when the pandemic will be over. I already take it as a given, which is better than driving myself crazy waiting for it to pass. The processes that have become the norm for the Liberty family members are therefore also the norm for me. They are also becoming the norm for people who use our services. Civilization is shaped by people overcoming obstacles and difficulties. Even something terrible like the Coronavirus can become a catalyst for development.

Do you also detect these changes in older people? After all, they constitute most of your customers.

Liberty Bank serves approximately 1.6 million customers, including members of the senior population. We can see that all our clients wish to adjust to digital channels. This change in people's behavior is happening faster than we envisaged, and this trend is likely to continue in the future.

Who are Liberty Bank's customers? Can you paint us a picture of them?

Liberty Bank customers are people like you and me - people with dreams and desires who require simple and fast services and clear communication. To put it simply, our typical client is an average person who needs more communication, and most importantly, more care.

All international financial institutions are saying that Georgia's financial sector is growing faster than its economy. Is this more of an opportunity or a challenge?

Unfortunately, Georgia currently has a small developing economy. We would like this not to be the case, and ideally, the banking sector and the economy should be growing at the same rate. However, for the economy to catch up with the banking industry would require businesses to create competitive products and services that can then be exported. In turn, this requires professional staff, proper legislation with incentives, and many other things. This issue must be resolved by the country as a whole. If growth in the banking sector did not exceed economic growth, then the Georgian economy would be even smaller than it is today. The way I see it, whoever can grow should do

have been even better prepared, the fact is that we were ready and effectively rolled out the process that we touched on earlier.

You mentioned your new team several times. How do you manage the team?

Liberty Bank is one of the largest employers in the country. More than 5,000 people work here. I support the approach that is oriented towards identifying people's talent and skills. There should be no taboo subjects in the company. Everything must be open, and people must feel safe to express their opinion freely. I have profound respect for freedom of expression and freedom of choice - these are the main values around which I try to manage all processes. I am grateful to the Liberty family for their sincerity and support by making open communication one of the bank's core values.

What about the market? Should there be more freedom or more regulation?

I prefer more freedom and more competition. It is particularly important to have a competitive environment. At the same time, the rule of law is crucial. Maintaining this balance will ensure that the rules of

“The biggest challenge is to change the corporate culture. We are now analyzing the results of this problem. “

so, and whoever gets ahead should act as a locomotive, pushing those who lag behind.

Nevertheless, is it not also the case that the higher and more inclusive the economic growth, the better it will reflect on the welfare of each person who buys your products and services?

Of course, people's welfare reflects on a bank's prosperity. For example, the problems faced by banks last year due to the pandemic were treated with understanding by many parties, including the regulator and the government who provided some help to mitigate the effects of this process on people. The objective was to ensure that things would not get worse for customers during this period of increased risks.

Do you mean loan restructuring and deferment?

That is correct. The banking sector itself came up with this initiative and communicated its significance to the government and to the regulator (the National Bank of Georgia).

A lot of rating agencies, such as Fitch and Moody's, have concluded that the banking sector was ready for the crisis. Do you agree?

Yes, even though it is somewhat difficult to say whether we could

the game are fair.

What are the rules regarding pensions, and do you also support competition in this segment?

I always support competition and in every segment, including the one you mentioned. I have often talked and given presentations on these issues in Parliament and at conferences. I contend that if, we as a country, want to be guided by the principles of market economy and abide by concepts such as market price, then we must respect and uphold them.

But how do we know the market price when the capital market is virtually non-existent in this country?

- It can easily be verified nowadays. Our regulator has worked hard to ensure that information about the banking sector is transparent and easily accessible. This includes information about the market price and the average price of various products. Therefore, I reiterate that I am for competition and against the politicization of this issue - especially as it can have a negative effect on the private sector, and specifically the banking sector, which is currently the driving force of our economy.

Another possible problem is the slow increase of people's

income in Georgia. This is especially true for the older population. How does your strategy ensure that customer satisfaction improves in all segments?

We try to ensure that it improves uniformly across all segments. We do not differentiate between our customers according to their age, although we do need to adopt an individual approach when it comes to communication. When we measure customer satisfaction, we do it for every single segment, and this most certainly includes the older generation, which forms a significant part of our client base.

Do you see the capital market as competition?

Not at all. Generally, the capital and credit markets compete rather than compete with one another. The more capital companies have, the more loans can be issued to them at lower risk. Thus, an effective and well-developed capital market ensures the sustainability of the banking sector. Unfortunately, the capital market in Georgia is not highly active. Only a few large firms have managed to attract capital with the help of foreign stock exchanges. Our capital market must overcome numerous challenges such as raising awareness among potential investors, improving the legislative mechanisms, increasing transparency of public reports, and much more.

Does the capital market increase access to cheaper money?

Capital is more expensive than credit. Logically, nobody will give you a loan if you do not invest your own money in your business. However, loans must be repaid before capital, which makes capital a riskier proposition, and therefore, more expensive. In Georgia, capital invested in Lari must be worth at least 17-20%. It is certainly not a cheap tool.

Is the depreciation of the Lari financially profitable for the banks?

A stable currency is considerably more advantageous to the banking sector and the economy. More than 55% of Georgia's credit portfolio is issued in foreign currency. This section of the portfolio increases in proportion to the depreciation of the Lari, but clients find it more difficult to make monthly payments if they receive their income in local currency. This results in an increase in overdue loans, and consequently in the bank's loan loss provisions, which in turn reduces the capital and future growth potential.

Is this a problem with regards to the predictability of doing business?

Currency stability is important in this regard. The investment climate needs relative stability in this area. Investors who come to Georgia put their trust in the Lari. They must be able to understand what might happen to the local currency.

Nevertheless, nobody has a specific mandate to keep the Lari stable. Investors cannot hold anybody to account...

The country as a whole has the mandate. The government and the NBG must each play their role. I repeat: Predictability is important to people who invest their money in Georgia and place their trust in the Lari. Fluctuations do not cause a problem in the short term. The main thing is to avoid this developing into panic.

Are you talking about forecasts?

Precisely. These must be managed properly. Businesses and investors must be able to form adequate expectations. That is the main foundation of predictability.

What expectations do you set for yourself? For example, do you have a strategy document? We often hear about the importance of having short, medium, and long-term plans in this sector. We have already talked about the difficulties concerning predictability.

Liberty Bank has a long-term strategic development plan. Our intention to focus on people's needs rather than products is based precisely on this document. We are the bank of the people - a financial institution that serves people's families and their businesses. This means that ordinary people and SMEs make up our target client base. We want to be their first choice. Our objective is to make life easier for everyone.

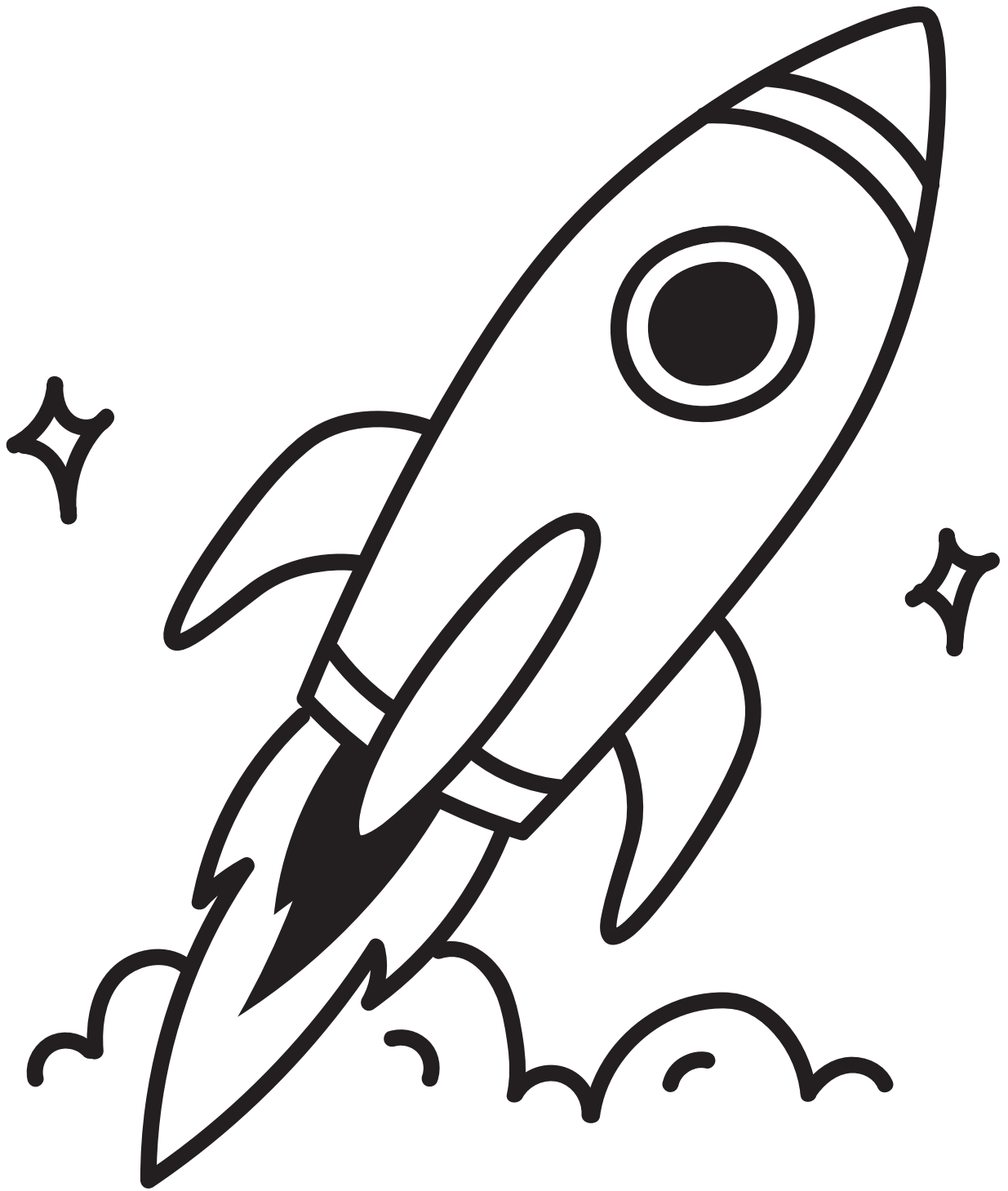
If I am a customer and walk into a Liberty branch, how exactly will you make my life easier?

When I said that we must understand what drives people, I was basing that statement on a specific plan. More specifically, Liberty has accumulated a wealth of information that requires proper processing. Here at our bank, we have a strong team that has created digital channels and platforms, as well as special systems that allow this information to be processed quickly and easily. This process will allow us to better understand people's needs and wishes and create offers that are tailored to those needs. People who use our services must feel that we truly understand them.

Am I imagining this or are you trying to avoid using the term 'customer'? It seems you don't like this word.

I prefer to use the word 'people'. I have thought about this a lot. I will soon settle on my terminology, and I promise to share it with you.

We talk for more than an hour, and the interview comes to a natural close. We shake hands and agree that as soon as new Liberty takes a foothold, we will assess customer satisfaction on the pages of Forbes Georgia and examine closely the terminology used by Liberty Bank. The bank has already replaced the word 'pensioner' with the term 'senior person'. For me, this is already a sign that new Liberty will have a better philosophy than the old one. **S**



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GEORGIA

Think Like a Startup

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€16.5 million in investments; 627,000 registered users; 89 international partners; 354 new jobs; 4,400 B2B users – this is what 500 Georgia has managed to achieve after only two batches of acceleration. Behind the impressive figures lies the immense effort undertaken by Bank of Georgia, and particularly by the four winners who have traveled to Silicon Valley.

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Before providing a more detailed introduction of the winning companies, let us first look at the broader picture.

Over the last two years, the global startup economy has generated more than \$3 billion in value. According to the latest Global Startup Ecosystem Report, this represents a 20% increase over the previous two years. Europe and North America are leading in the new and emerging market category, but it is clear that the startup boom is the present, rather than the future of the economy.

For the past few years, Georgia has been trying to follow this trend and enable its startups to try their luck. Indeed, in most cases these businesses are simply trying their luck - the nature of startups is such that many of them start well but finish poorly.

The global statistics are as follows: On average, 90% of startups have a very short lifespan. 10% of them encounter insurmountable problems within a year. However, if a startup manages to survive a 2-5-year period, then it can achieve great success.

Such high risks and the possibility of making a sizeable profit in a short period of time mean that startups have to use very specific methods of attracting capital. Even in Georgia, we now often come across the word ecosystem, which is directly linked to the viability of startups.

Detailed studies have been conducted to determine in what kind of an environment a startup can survive and thrive.

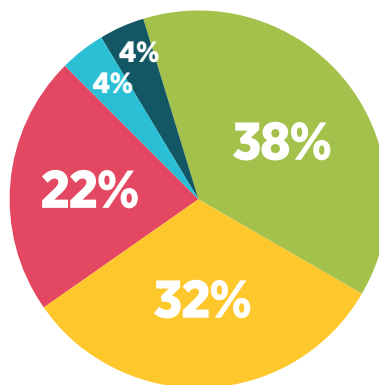
Based on the Global Startup Ecosystem Report (GSER), we can identify five archetypes of an ecosystem:

- **Founders of Tech** - Primary dimension: First and early movers, delivering innovative findings on a global or regional scale. Examples include Silicon Valley, Boston, and Seattle.
- **Global Business Hubs** - Primary dimension: Global business and financial centers. Examples include London, New York, and Singapore.
- **Research and Development Powerhouses** - Primary dimension: Technology production and data analysis. Examples include Jerusalem and Stockholm.
- **Large Protected Markets** - Primary dimension: Protected market reach. Examples include Beijing, Shanghai, and Jakarta.
- **Cosmopolitan Creatives** - Primary dimension: Openness and quality of life. Examples include Berlin and Melbourne.

As we can see from these interesting and accurate archetypes, Tbilisi and any other city in Georgia will have to overcome countless challenges to be identified as a good example. This will require time and a

Europe and North America Constitute Almost Three-Fifths of Emerging Ecosystems

Share by Region, 2020

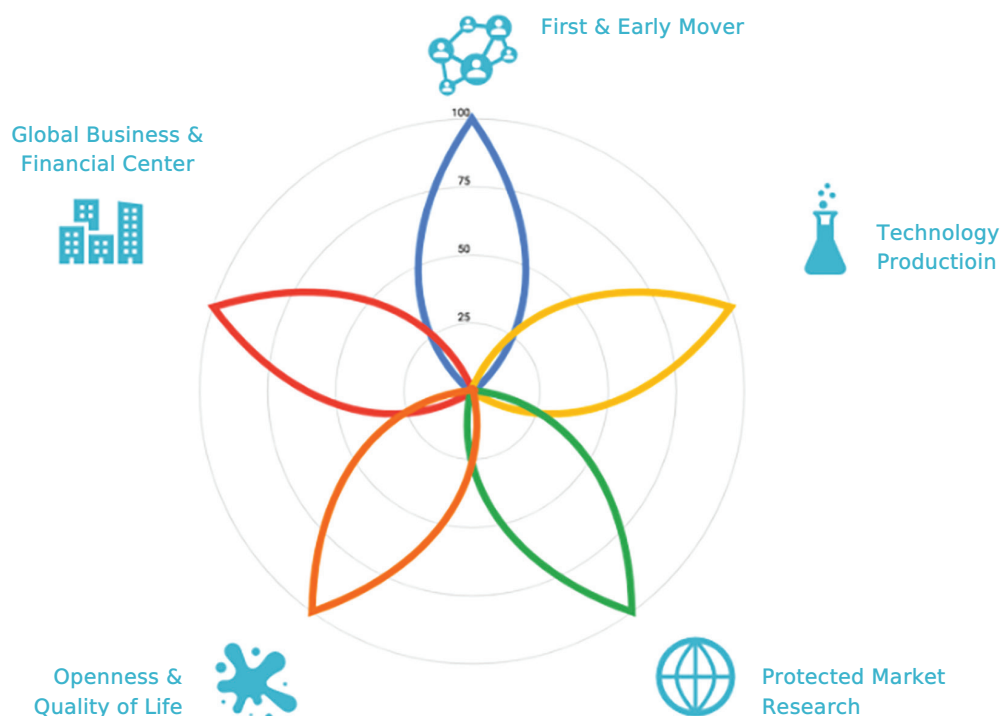


● Europe ● North America ● APAC ● Africa ● South America



source: startupgenome.com

Five Archetypes of Ecosystem



certain level of economic and institutional development to attain the kind of quality that attracts venture capital and angel investors who are happy to invest their money in risky undertakings.

One way of achieving the above is to build a strong economy. Another way is to highlight and encourage successful examples. Bank of Georgia chose the latter when it introduced 500 Global (Formerly 500 Startups) to the country.

500 Global is a prominent global venture capital firm that has been operating since 2010. The company has already invested in more than 2,400 enterprises across 77 countries. Its portfolio includes startups such as Intercom, Credit Karma, Grab, Talkdesk, Canva and GitLab. Apart from helping startup founders, 500 Global also provides support to countries and corporations in developing innovative ecosystems, which includes accelerator programmes, educational projects, various events, and partnerships.

The broad list of 500 Global now also includes Georgia.

The agreement signed by Bank of Georgia, Georgia's Innovation and Technology Agency (GITA) and 500 Global laid the basis for one of the world's top three accelerators entering the Georgian market, which indicates that they trust the startups' ideas, talent, and prospects in Georgia.

This move tells us that the geography of Georgia is attractive both for individual investors and global firms that specialize in discovering unique ideas and concepts. In turn, such discoveries have boundless expansion potential.

Most importantly, 500 Global evidently believes that Georgia can produce so-called unicorn companies – startups whose value may reach or exceed \$1 billion.

As we said earlier, 500 Georgia has identified four startups with great potential. The winners have been determined and the four startups – Cardeal, Cargon, Agrolabs and Payze – went to Silicon Valley. Let's take a closer look at each one of them.

Zurab Bakuridze,

Cardeal: "500 Georgia has validated our status in the eyes of local and international investors and partners alike. To put it simply, we have appeared on the radar of western investors."



CARDEAL

Cardeal is an international online vehicle auction company. Statistics show that car dealership is one of the largest industries in Georgia, which continued to grow even during the pandemic. However, the Georgian market is quite fragmented due to the presence of small dealers and various suppliers, creating too many intermediary links for the customer and pushing up the price of vehicle import. In response to these challenges, Cardeal produced a car auction website that aggregates around 500,000 vehicles through trustworthy international suppliers. Furthermore, it created a joint ecosystem where customers can access all services related to vehicle purchase in a single space – be it on-site inspection, financing/leasing, or transportation to Georgia.

The website has an integrated parallel bidding function that provides customers with direct access to international auctions through

the Cardeal platform. This is a unique function that gives the startup a significant competitive advantage. Cardeal founder Zurab Bakuridze explains that the company has already achieved considerable success since it was launched two years ago. For example, it recently expanded to the Azerbaijani market. The Cardeal platform is visited by more than 200,000 people each month. Zurab Bakuridze also lists the company's success in the 500 Georgia acceleration programme among its achievements. According to him, the company attracted investments totaling €1.3 million over the last year. These funds will be used to implement the rapid expansion plan that Mr. Bakuridze devised together with the programme mentors a few months ago.

For Zurab Bakuridze, the main benefit of participating in the programme was that it allowed the design and functionality of the Cardeal platform to be completely upgraded. "Within a week, our bounce rate improved by 40% and the conversion rate by 30%. This clearly shows that the upgraded Cardeal platform is a true market-oriented product," Mr. Bakuridze stated.



Vano Chaladze, Cargon:

“Negotiating with investors has become much easier for us. It is important for the investor to know that a startup has participated in a leading acceleration programme, and that it has great potential for growth. Winning the competition has given us the opportunity to further develop ourselves and attract additional investment.”

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Cargon is a digital logistics platform that connects cargo owners with carriers in a few clicks. The idea was born when the Cargon team carried out market analysis and established that transporting products from one point to another was a complex and time-consuming process. Realizing that existing technology would allow them to considerably speed up and simplify this process, they created a platform that brought together the cargo owners and transporters into a single virtual space. Initially, Cargon targeted medium-scale businesses that manufactured their own products. Today, it works with companies that conduct import and export.

Cargon has been active in Georgia and Russia for more than a year. The platform already has 280 registered cargo companies, as well as around 1,500 carrier firms and drivers. “Cargon will start operating in Armenia in a few weeks, and in Kazakhstan soon. Our immediate objective is to expand the platform in the CIS region

CARGON

and turn it into an important tool for transforming the logistics industry,” says Cargon founder Vano Chaladze, adding that the 500 Globalacceleration experience had a significant effect on the company’s development. “First of all, it gave us the belief that we were creating a service that could expand beyond Georgia and reach global scale. Our development process also changed, becoming faster and more growth-oriented.”

Maksym Horinov, Agrolabs:

“Being a 500 Georgia winner is a competitive advantage, especially when it comes to attracting investment. This status sends a signal to potential investors that our company and business model are both valid and suitable to attract more funding.”



AGROLABS

Agrolabs offers the latest technology to greenhouse farmers who work hard every day to ensure that their produce is of a high quality. An effective monitoring system is vitally important, but problems can often be impossible to detect with the naked eye. This is where Agrolabs comes in, offering modern technologies that allow greenhouse farmers to automate and digitalize their daily routines. The company's IoT sensors are designed specifically for greenhouses. Information collected from the plants are analyzed in live mode through an algorithm, allowing farmers to observe the plant development process daily. Whenever the programme detects any obstacles to growth, it immediately sends out a signal to the farmer.

Agrolabs appeared on the market three years ago. Its annual sales revenue now exceeds \$120,000. The company has pre-orders

worth \$2.5 million and has attracted investment totaling \$210,000 from Artesian Venture Capital and Bank of Georgia. “We plan to attract a further \$750,000 in investment and increase our sales in Europe. We want to establish ourselves as a data company that offers its clients data analysis and recommendations about effective productivity growth,” says Agrolabs founder Maksym Horinov. According to him, 500 Georgia helped change the company's vision. “Before we took part in this programme, our main focus was on the product. We believed that we could only start thinking about marketing and sales after improving our product. However, we learned through mentorship that the number one priority for a company must be to increase sales and expand its customer base. We immediately started working on market expansion, reaching clients in Europe, the United States and Africa.”



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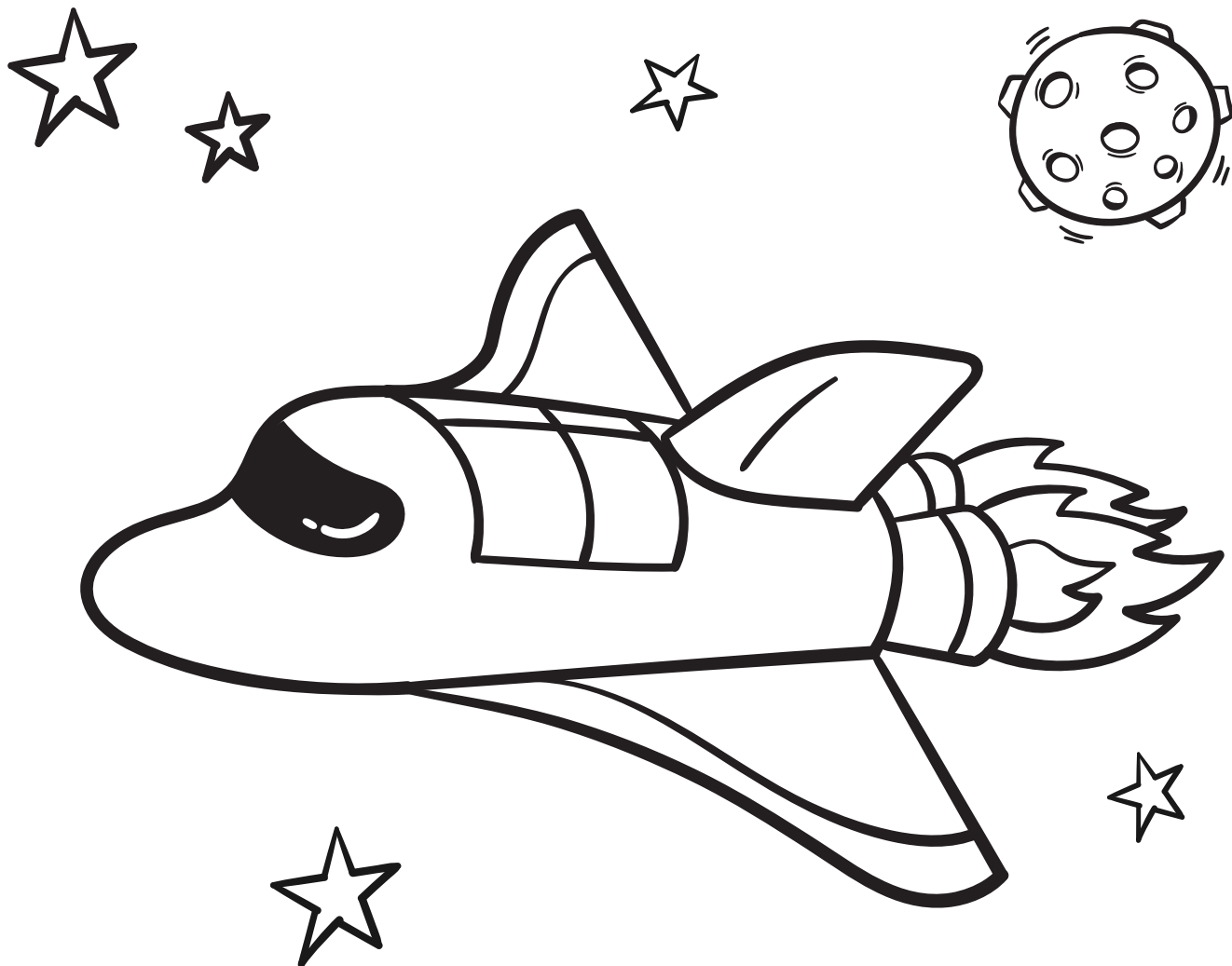
GEORGIA

Gega Tsurtsunia, Payze: “Considering the strength of the teams participating in this programme, our success represents recognition, as well as many new open doors and opportunities for us.”

PAYZE

The e-commerce platform Payze uses a bill-splitting model that allows it to automatically collect its commission from each sale, removing the need to manually manage all transactions. “The figure that matters most to us is the number of clients who use the Payze platform to collect their income. This figure exceeded the 300 mark within five months and continued to grow by 35% each month,” says Payze founder Gega Tsurtsunia. The company aims to become fully licensed by the end of 2022 and be able to offer its services to any technology firm or individual entrepreneur who wishes to use Payze – the most effective online means

of collecting payment. After participating in the 500 Georgia programme, Gega Tsurtsunia and his team realized that all their plans for the year were achievable in a few weeks. “Acceleration literally speeds up every process. Moreover, these processes are managed by highly experienced people who have already gone through all of this in their own companies. Their specific recommendations are capable of streamlining ideas, strategies and processes.”



These positive results and changes did not come easy for neither the winning start-ups nor their mentors. According to the winners, the mentors essentially became part of their team for the four months that the acceleration programme ran at full speed. Gega Tsurtsunia recalls that his private mentor Brianna Salinas's advice proved most useful to his firm. "We had just released our product, and my mentor's recommendation was to create a specific sales structure that would first be

utilized by the company founders, and then by our team members. As founders we had experience in product development and strong technical resources (software), but the main benefit of the acceleration programme is that you get help precisely in those areas where you encounter difficulties. In our case, this concerned sales and customer relations," says the Payze founder.

Vano Chaladze adds that for the duration of the four-month intensive acceleration programme, the

recommendations given to the Cargon team by all six mentors were tailored to the needs of the startup. Together with theoretical knowledge and practical experience, the team obtained specific analytical tools that will help the company maintain growth in the future. "Prior to this project, the only way to obtain funding for creating a startup and attracting investment was through government programmes. As important as these programmes are, it is difficult to develop an ecosystem without the involvement of the private sector. We must, therefore, appreciate the risks taken by Bank of Georgia and hope that this will set an example to the private sector to broaden its support for Georgian startups. I realize that there are many risks associated with a startup, but on the other hand, most traditional forms of investment are unlikely to give investors the kind of return that a successful startup can. There are plenty of examples to support this," Mr. Chaladze explains.

The feedback from the winning startups has one element in common: They are all grateful to Bank of Georgia for enabling the acceleration programme and are hopeful that the programme will continue in the future, so that more startups can have a clear path towards growth and development. According to Zurab Bakuridze, the introduction of 500 Globalto Georgia was a perfect precedent set by Bank of Georgia. "Access to funding is absolutely necessary for the development of the startup ecosystem. This programme shows what a healthy relationship between startups and investors should look like," says the Cardeal founder.

Maksym Horinov of Agrolabs states that thanks to the acceleration programme and his mentors, he has learned to act faster and make quick decisions. He also highlights the benefits of working with a large corporation such as Bank of Georgia. "I believe that Bank of Georgia brings a different perspective to the table – it presents the vision and experience of a large corporation. This is immensely valuable to us as a B2B business."

For me as the executive editor of a highly influential business publication, who has spoken in depth to numerous experienced businesspeople over the years, it was striking that none of the aforementioned startups had any vague expectations or dreams regarding

their trip to Silicon Valley – on the contrary, they had very clear objectives for the post-acceleration chapter of their development, which would take them to the world's most distinguished place for startups. Unsurprisingly, all the companies had the same main goals: To gather experience and conduct networking with the investors to attract funds and expand the profile of their respective startups.

We can only hope that 500 Georgia will set a precedent that attracts venture capitalists and angel investors – people who, unlike state organizations or commercial banks, have their own money and can therefore take bolder decisions regarding risky investment. I finished the interview by asking them what advice they would give to those who may be inspired by this article to also join the 500 Georgia network.

"500 Georgia is the biggest step towards the development of the country's startup and technology ecosystem. The programme must continue to allow as many startups as possible to take part and create world class products in Georgia. Make sure you use this opportunity!" – **Gega Tsurtsunia, Payze.**

"I believe that our path to success lies through technological development. Participation in the 500 Georgia programme is sure to help companies develop their business and achieve their objectives. Be proactive." – **Vano Chaladze, Cargon.**

"It is great for local entrepreneurs to have the opportunity to learn from world-class mentors how to do business and attract additional investment, which will enhance the profile of their companies both regionally and globally. Seize the moment." – **Maksym Horinov, Agrolabs.**

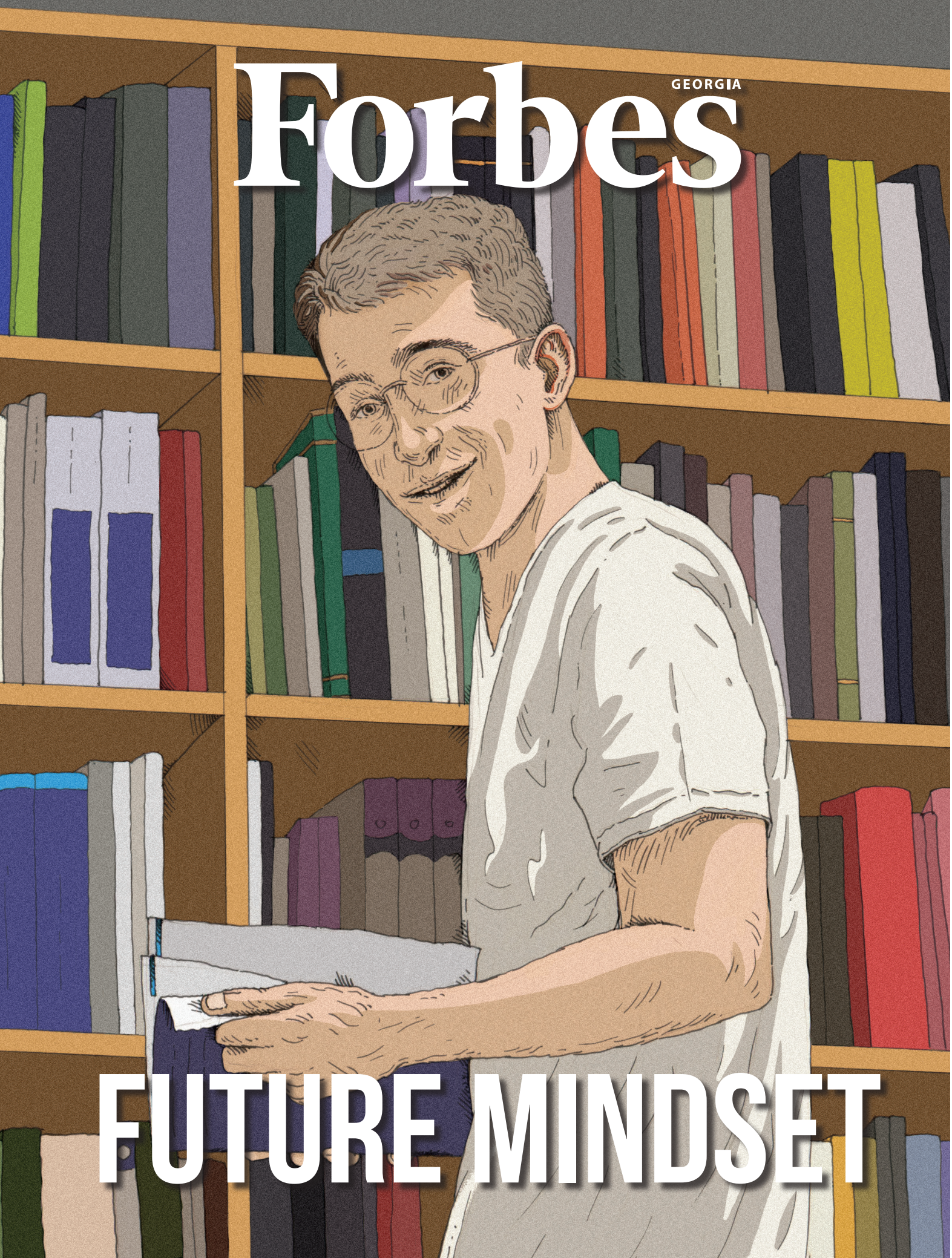
"Do not stop!" – **Zurab Bakuridze, Cardeal.**

"Think like a startup!" – **Elene Kvanchilashvili, Forbes Georgia.**

It is evident that 500 Georgia continues to support the startups in realizing these ideas and taking the next steps on their path towards development. We will start counting chickens in Silicon Valley.

Forbes

GEORGIA



FUTURE MINDSET

A few weeks ago, Georgia lost a promising young man and a true leader, young entrepreneur Nico Kvaratskhelia. Nico was tragically shot eight times in the center of Tbilisi in the middle of the day. Due to his life-threatening injuries, and despite countless efforts, the doctors could not save him.

Our followers know Nico Kvaratskhelia for his important contributions to Georgian business, especially for creating his first business Feedc, which is already a very successful company.

Feedc is the first Georgian social media platform ever to be created, it already has more than 250,000 active users, and continuously ranks as one of the most used apps in the country. All the achievements of the company will forever be connected to Nico's name.

Nico was a part of BMG and the Forbes Georgia family. He was one of the youngest Forbes Georgia 30-under-30 members we have ever had. Even at such a young age, Nico still managed to leave an astonishing mark on the Georgian business community and wider society.

We want to send our deepest sympathies to his family and loved ones. Georgia lost an exceptionally bright young man, a shining star of the future, whose name and dedicated work will forever remain in our minds.

Forbes

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UNDER



The young people who made it onto Forbes Georgia's third annual 30 Under 30 list are living proof that ambition and innovation cannot be stifled. Some are going against the flow by starting businesses during the pandemic, while others are playing their part in combatting the virus. The 30 Under 30 project was created precisely for the purpose of promoting this kind of spirit and discovering people under the age of thirty who have achieved success through determination and effort. Let's take a closer look at each one.

AUTHOR: NUTSI BAZLIDZE
PHOTOS: KHATUNA KHUTSISHVILI

NINI CHANTURIA, 28 LUKA CHAGANAVA, 29

Founders • NS STUDIO

Luka Chaganava and Nini Chanturia have been doing business together for more than seven years. In 2013, they founded the architecture and design firm NS STUDIO.

The company has since grown to include twenty-three employees, and the scale of its projects has gradually increased.

The choices and interests of Luka and Nini continue to coincide, and their common vision is to develop the field of architecture in Georgia.

“We are trying to ensure that all components of architecture are improved upon. Our objective is to implement a new phase in Georgian architecture.” – Luka Chaganava.

“Each project has taught us something.” – Nini Chanturia.



JUDGES: Levan Lomindaze,
Sopho Chkonia,

STYLE
NOT COM

BEKA GVISHIANI, 29

Head of PR and Communications at the fashion house Anouki and founder of Arial Bold.

Beka Gvishiani has significant experience at Anouki, where he held the position of General Brand Manager before expanding his scope of responsibilities to oversee communications.

Apart from his work at the fashion house, Beka's interest in style also extends to his own projects, such as the creative agency Arial Bold, where he collaborates with various other brands.

"I am so deeply involved in fashion that I cannot see myself working in any other industry."

JUDGES: Levan Lominadze,
Sopho Chkonia

KETEVAN BAGHASHVILI, 23

Co-Founder and Executive Director • Beauty Lab App

In October 2020, Ketevan Baghashvili helped launch the Beauty Lab application, which enables users to easily book appointments in beauty salons. At the same time, it offers management-related services to the salons themselves.

In the future, Ketevan is planning to work on the development of aesthetic tourism in Georgia.

"My goal is to create a product that will proudly carry a 'Made in Georgia' label."



TENGIZ DOLIDZE, 26

Head of PR and the Municipal Coordination Department • Regional Youth Centre of Adjara

Tengiz Dolidze has been involved with the Regional Youth Centre since its foundation. He is currently part of the project to establish a career development academy.

He has authored the novels *Me and Illusion* & *Me*. He is currently working on a book that deals with professional topics.

Tengiz describes himself as “a man who loves literature.”

“In my view, sharing things and motivating people are the two most important principles in life.”

JUDGES: Maia Mirijanashvili, Shota Dighmelashvili, Giorgi Isakadze

GIA MOSASHVILI, 25

Tbilisi State University Postgraduate, International Relations Specialist • San Francisco State University.

Gia Mosashvili conducts most of his research in the field of international politics. His work already includes several scientific studies, including his dissertation for Yale University titled *Frozen Conflicts in Georgia and Moldova*.

Some of Gia's studies have already received significant recognition. In the next stage of his career, he plans to work in the field of diplomacy.

"I am actively involved in projects that are aimed at tackling climate change."



JUDGES: Nana Dikhamindjia, Soso Berikashvili, Rati Gholidjashvili

TINATIN AKHVLEDIANI, 29

Research Fellow • CEPS

Tinatín Akhvlediani is a researcher at the European Policy Research Centre. The projects implemented by the young scientist, who has seven years of experience in the field, are related to European institutions.

Furthermore, Tinatin is teaching second-year undergraduates at the University of Warsaw. For her, the European Policy Research Centre and the university are part of the same work arena.

"I want my work to be useful to my country."



JUDGES: Nana Dikhamindjia, Soso Berikashvili, Rati Gholidjashvili



NUKA SHEVARDNADZE, 29

Brand, Marketing and Customer Care Team
Leader • „სფეისი“

Nuka Shevardnadze joined the TBC team four years ago. Her work was related to the youth segment. She became involved in Space upon the company's founding, and the scope of her responsibilities gradually increased. She is now in charge of marketing, brand, and customer care.

“I do everything for people and together with people.”

JUDGES: Maia Mirijanashvili, Shota Dighmelashvili, Giorgi Isakadze

NIKA ABASHIDZE, 29

Founder and Managing Director • Caru

Nika Abashidze has the following approach towards doing business: whenever he sees a problem, he follows it to the core and creates a new process to improve the end result. This is the principle upon which he built Caru – an innovative vehicle repair platform that offers customers a different service mechanism. Nika himself describes Caru as “the Airbnb of car servicing.”

“My aim is to take problem solving to a technological level.”

TECHNOLOGIES



JUDGES: Avtandil Kasradze, Rusudan Kurdovanidze, Vakhtang Tsabadze, Davit Khosroshvili

SALOME ZURABISHVILI, 29

Executive Director • Global Compact Network Georgia

Salome Zurabishvili's focus is on behavioral changes in the private sector. Her platform is Global Compact Network Georgia. In this regard, the Sustainability Spotlight magazine and the Corporate Sustainability Academy serve as models for Salome.

Furthermore, Salome Zurabishvili chairs the UN Regional Network Council for Eastern Europe. She coordinates the affairs of eleven countries and voices their challenges at the Global Council.

"My responsibility lies in the process of changing behavior, which in turn aids development."



JUDGES: Nikoloz Gogochuri, Mariam Rusishvili, Mikheil Khidureli

SANDRO KANDELAKI, 27

Co-Founder • covider.ge

The Covider platform, which Sandro Kandelaki helped establish, assists people on issues related to COVID-19. The next stage of development is to adapt the platform to other health-related issues.

Sandro Kandelaki has been involved in founding various startups, as well as developing the Georgian startup ecosystem in general. Most notably, he was the manager of the business accelerator Spark.

"I keep learning new things, which helps me respond adequately to challenges."



ENTREPRENEURS AND MANUFACTURERS

JUDGES: Nikoloz Gogochuri, Mariam Rusishvili, Mikheil Khidureli

TENGIZ MESKHI, 26

Deputy IT Director, Head of Agile • Bank of Georgia

Tengiz Meskhi became part of the Bank of Georgia team in 2019. Born and raised in the UK, he moved to Georgia and took up the position of Deputy IT Director at Bank of Georgia.

Before joining the bank, Tengiz studied at Cambridge University and spent time getting work experience. He is now actively involved in implementing Agile at the bank.

“I see countless opportunities in Georgia.”

JUDGES: Avtandil Kasradze,
Rusudan Kurdovanidze, Vakh tang
Tsabadze, Davit Khosroshvili

MERI ARABIDZE, 27

Chess Player

Meri Arabidze has been playing chess for twenty-one years. Professionally, she has to compete against men and women alike. She already boasts impressive achievements in the form of medals and titles. She holds the titles of Woman Grandmaster and International Master.

"To achieve success, it is important for me to stick to my routine."



JUDGES: Zaza Pachulia,
Irma Khetsuriani

NINA TIBILASHVILI, 23

Fencer

Wheelchair fencer Nina Tibilashvili has achieved notable success in her career so far. She is a three-time under-23 world champion and has several silver and bronze medals to her name.

In July 2021, Nina added a team gold medal to her collection, winning the World Championship with the Georgian wheelchair fencing team.

“Defeat is a precursor to victory. My success was achieved with the help of my team, family, and friends. I hope that it will inspire people who do not believe that they can achieve anything.”



JUDGES: Zaza Pachulia,
Irma Khetsuriani

NINO NANITASHVILI, 28

Digital Development and Startup Ecosystem

Consultant • Startup Ecosystem

Nino Nanitashvili's field of activity is connected to the startup ecosystem. She works with organizations such as the World Bank, Google, Asian Development Bank, USAID, and others. Furthermore, she is actively involved in mentoring.

Nino helps run the NGO Innovation Support Fund, where she works primarily in the field of education.

"I am trying to develop the startup ecosystem and technology space in Georgia."

TECHNOLOGY



JUDGES: Avtandil Kasradze, Rusudan Kurdovanidze, Vakhtang Tsabadze, Davit Khosroshvili

LEVAN SONGULASHVILI, 29

VisualArtist • www.levan.gallery

Levan Songulashvili is the first Georgian artist whose work has been included in the permanent collection of The Brooklyn Museum. There are several other achievements to his name, such as expositions in Singapore and the Saatchi Gallery in London.

Levan's activities include painting and video art. He focusses on integrating modern and innovative approaches into art.

"I strive to create artworks that will stand the test of time."

CULTURE AND STYLE

JUDGES: Levan Lominadze,
Sopho Chkonia

ANANO BAKURADZE, 28

Founder • Movement

Anano Bakuradze co-founded the socio-cultural platform Movement four years ago with the objective of offering a unique style of storytelling.

Content associated with the platform has become more diverse over the years, which has been reflected by the growing number of subscribers and visitors.

“We offer people a platform where their voice can be heard.”

MEDIA AND MARKETING



JUDGES: Maia Mirijanashvili, Shota Dighmelashvili, Giorgi Isakadze

BIDZINA GONASHVILI, 28

Founder • Tserti (dairy and meat stores).

Bidzina Gonashvili's business activities are linked to Tserti, which offers a synthesis of traditional Georgian and modern produce.

Founded two years ago, the company has since increased its number of staff from seven people to eighty-five. For his part, Bidzina Gonashvili is focused on continuing to move Tserti forward.

"My main motivation is to create the best possible product, control mechanism and working environment."

ENTREPRENEURS AND MANUFACTURERS

JUDGES: Nikoloz Gogochuri, Mariam Rusishvili, Mikheil Khidureli

MAGDA ELISASHVILI, 23

Business Process Analyst • Grant Thornton Georgia

Magda Elisashvili's work at Grant Thornton Georgia involves business process solutions. She first joined the team at the age of nineteen. As the company grew, the scope of her responsibilities and tasks also expanded.

Magda is currently involved in various company projects and manages the outsourcing department.

"I wish to contribute even more towards the company's development."

FORBES SELECT



NIKA KHABURZANIA, 23

Founder and Executive Director • affix.net (e-sports platform)

Nika Khaburzania helped establish the e-sports platform affix.net, which allows users to participate in various competitions and win prizes. Premium subscribers pay a monthly membership fee and can take advantage of exclusive offers from the company. The platform has a special defense mechanism to protect against any unfair advantage.

The company is currently getting ready to expand internationally.

“Our main motivation is to make the brand affix.net synonymous with e-sports.”

ENTREPRENEURS AND MANUFACTURERS



JUDGES: Nikoloz Gogochuri, Mariam Rusishvili, Mikheil Khidureli

MIRIAN
KVALIASHVILI, 25

Violoncellist

Mirian Kvaliashvili has been playing violoncello for seventeen years. He took his first steps in Georgia before enhancing his qualifications at the International Menuhin Music Academy in Switzerland. To date he has performed in one hundred concerts across twenty countries.

The young musician has set himself the goal of using his experience to help others by identifying their talent.

"I want to maximize my resources."

JUDGES: Levan Lominadze,
Sopho Chkonia,

NATIA SVANIDZE, 29

Senior Manager for Digital Product Development • Space

Natia Svanidze has been involved with the digital bank Space since the beginning. She is currently heading a team that includes developers, designers, quality control managers and many others. Previously, she worked in customer care and helped establish organizational culture at Space.

Aside from her involvement with the bank, Natia Svanidze is also the co-founder of the brand Giovanni Morra.

“Throughout my career, I have derived the greatest pleasure from creating something important from scratch.”



JUDGES: Avtandil Kasradze, Rusudan Kurdovanidze, Vakhtang Tsabadze, Davit Khosroshvili

ANA GHVINEPADZE, 22

Head of PR & Marketing • PharmCapital (Möller's partner in the Caucasus)

Ana Ghvinepadze's work is founded on the collaboration between PharmCapital and Möller's. She was personally involved in implementing the project in its current form.

At present, Ana continues to focus on her work in the field of fitness and health.

"Trust your imagination and act accordingly (within reason)."



JUDGES: Maia Mirijanashvili, Shota Dighmelashvili, Giorgi Isakadze

IVDIT GABESKIRIA, 24

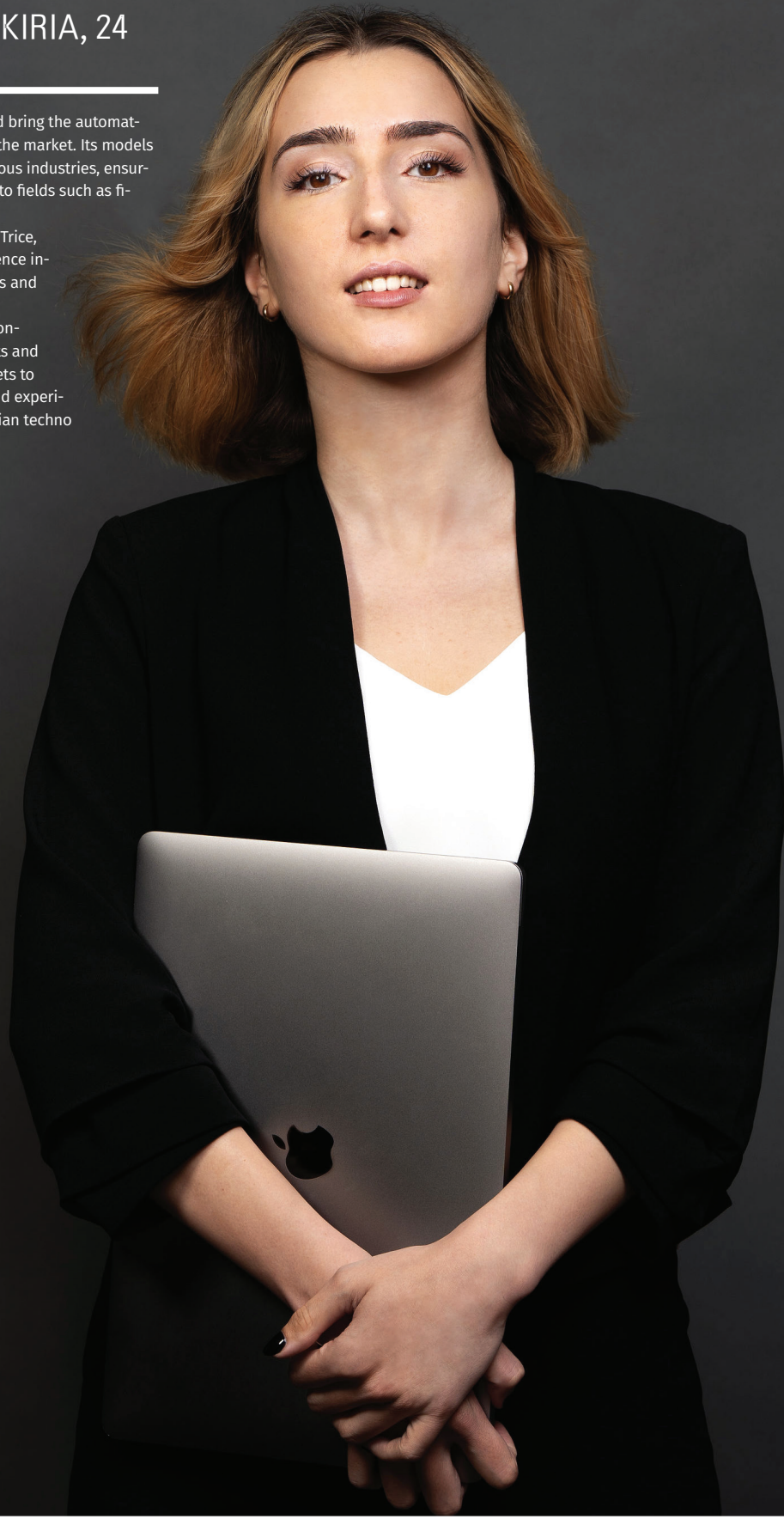
Founder • Trice

Ivdit Gabeskiria has helped bring the automatic translation app Trice to the market. Its models have been adapted to various industries, ensuring that the app responds to fields such as finance and online sales.

Aside from her work on Trice, Ivdit's professional experience includes developing websites and mobile applications.

"As an entrepreneur, I constantly study developments and novelties on various markets to then use my knowledge and experience to develop the Georgian techno ecosystem."

FORBES SELECT



LADO SIRDADZE, 25

Legal Engineer • [knowledgetools.de](https://www.knowledgetools.de)

Lado Sirdadze's work is connected to the field of legal Technology at the German firm KnowledgeTools International GmbH. The work involves supporting lawyers and simplifying certain processes.

Lado works with various public institutions in Georgia and is currently focused on implementing pilot projects.

In his capacity as a teacher of law at the Business and Technology University, Lado also attaches significant importance to digitalization.

"My goal is to enable Georgian lawyers to entrust the template work to a programme, which will leave them with more time to work on real legal matters."



JUDGES: Nana Dikhamindjia, Soso Berikashvili, Rati Gholidjashvili

GENO PETRIASHVILI, 28

Freestyle Wrestler

Freestyle wrestler Geno Petriashvili has had an extraordinarily successful career, winning European and World Championship titles along the way.

In 2021, Geno added an Olympic silver medal to his list of achievements.

SPORTS

JUDGES: Zaza Pachulia,
Irma Khetsuriani

DAVIT MESKHIDZE, 26

Head of Remote Channels Development Unit • Liberty Bank

Davit Meskhidze has been part of the Liberty Bank team for seven years. This is where he got his first work experience before gradually developing and moving up the career ladder.

During the pandemic, Liberty Bank implemented several projects with Davit Meskhidze's involvement, including advance payment of pensions, cardless PIN code resets and cardless conversion services.

"It is important for me to always stay informed."



JUDGES: Avtandil Kasradze,
Rusudan Kurdovanidze,
Vakhtang Tsabadze, Davit
Khosroshvili

LELA OKROMELIDZE, 26

Radiology Research Fellow • Mayo Clinic (United States)

Lela Okromelidze's research involves studying the effects of deep brain stimulation. Lela studied at Harvard University before joining the Mayo Clinic for work experience.

Lela's achievements and prospects are proven by her inclusion on the Amgen Scholars 'Ten to Watch' list.

"I learn something new at every stage."

JUDGES: Nana Dikhamindjia, Soso Berikashvili, Rati Gholtajashvili



**VLADIMIR
KHINCHEGASHVILI, 29**

Freestyle Wrestler

Freestyle wrestler Vladimir Khinchegashvili has had an extraordinarily successful career, winning Olympic, World Championship and European Championship gold medals.

Vladimer has been actively interested in sports since childhood. He currently has twelve medals to his name.

"I do not rest on my laurels."

JUDGES: Zaza Pachulia,
Irma Khetsuriani

DAVIT KHIDURELI, 29

Founder and Managing Partner • AUKI Interiors
and Design

For Davit Khidureli, architecture and interior design formed the main area of interest from the very beginning of his professional career. Having accumulated work experience, he helped establish AUKI Interiors and Design.

The company offers services in product and interior design, apartment fit-out, interior works, installations, and pavilion design.

“I always try to offer something special that cannot be found elsewhere.”

FORBES SELECT



ELENE KAPANADZE, 29

Founder • The Why Not Gallery

Elene Kapanadze helped found The Why Not Gallery in 2018. Since then, the gallery has undergone certain changes in terms of its physical space. During the pandemic, it expanded its online services, offering the public the opportunity to view exhibitions remotely.

The Why Not Gallery has become a tool for art historian Elene to use her experience accumulated abroad and put it into practice in Georgia.

"The Why Not Gallery is not just a commercial undertaking; it combines many different fields."

CULTURE AND STYLE



JUDGES: Levan Lominadze,
Sopho Chkonia

NATA KIZIVADZE, 29

Head of Marketing and Project Department
- Business and Technology University

Nata Kizivadze has been involved with the Business and Technology University since its foundation. Together with her team, she conducts various important activities at BTU.

Projects implemented with Natia's involvement include training of women in the field of technology and the opening of Webster University in Silicon Valley.

"I want to see my success motivate others."

MEDIA AND MARKETING

JUDGES: Maia Mirijanashvili, Shota Dighmelashvili, Giorgi Isakadze

GIORGI MONAVARDISASHVILI, 30

Managing partner • Scoot Scoot (scooter and motorcycle store)

Giorgi Monavardisashvili has been involved in various business activities. The scooter sales platform Scoot Scoot, which he helped create, benefits from the flexibility offered by this form of transport.

Previously, Giorgi co-founded the firm Redberry, where he was involved for three years, significantly expanding upon his work experience.

"I always consider the influence that my work can have."

ENTREPRENEURS AND MANUFACTURERS

JUDGES: Nikoloz
Gogochuri, Mariam
Rusishvili, Mikheil
Khidureli,

ANA GOGOLASHVILI, 27

Nuclear Magnetic Resonance Laboratory Manager
• San Diego State University

Ana Gogolashvili has been involved in scientific activities since 2012. More specifically, her research is aimed at studying intermolecular interaction mechanisms using modern innovative methods.

With regards to innovative technology, Ana participated in a standout project at the Jülich Research Centre in Germany.

“My main goal is to enhance my knowledge and achieve success in the field of science.”

JUDGES: Nana Dikhamindjia, Soso Berikashvili, Rati Gholidjashvili

MONDO'S AMERICAN MIRACLE



In Italian, the word mondo means the world. It is also the name of a Georgian brand that has been producing premium quality coffee since 2014. Its twenty varieties are exported to several countries across three different continents. However, Mondo justifies its name in more ways than one. It already has a café in the heart of California. The company's co-owner is 23-year-old Giorgi Beridze, who came to the United States to study and decided to expand his father's coffee business to the American market. He firmly believes that California is only the first step in a long journey towards attaining the global brand status that Mondo deserves because of the magical flavor of its products.

by Tamta Jijavadze

It has been a year and a half since you opened the first Mondo café outside Georgia, which is in Beverly Hills.

How did Mondo find itself in California?

Mondo's coffee products first appeared on the US market in 2018. As sales grew, we established a company branch in the US. We then decided to open a café to further increase brand awareness. We wanted our first location to be known for its diversity and innovation, and so we settled on Beverly Hills, where we have access to a wide range of customers who are constantly on the lookout for new premium-class products. This is more than a café. It is a social space where we serve different varieties of coffee to our clients and listen to their feedback. This is very important for us, as we are surrounded by top businesses and startups with whom we can potentially establish partnerships and exchange ideas. The US coffee market is highly competitive. Gaining the trust of American customers requires a huge effort.

Have you achieved positive results?

The café is doing very well. For example, we recently signed an agreement with a private jet hire company that will serve our coffee on their planes. This story started at our café –the head of the company came for a visit, tried different coffees, was impressed, and decided to work with us.

Are you planning to open Mondo cafés in other locations?

We operate several cafés in Georgia, so we know how the local system works. A couple of locations will not help us achieve significant results. Therefore, our initial plan for the US market included at least five locations. Although we were hampered by the pandemic, we did not give up on our plans. We intend to open two new cafés over the next twelve months – one in central Los Angeles, and the other by Santa Monica beach. Our total investment in these three locations amounts to \$1.2 million. We spent \$500,000 on

the first café alone.

The pandemic speeded up the global growth of e-commerce. What effect did this have on Mondo? What percentage of your sales is conducted online?

Our company felt the growth of e-commerce during the pandemic, as we operate online stores in Georgia, Russia, and the United States. Online sales in Georgia account for no more than 10% of total sales despite the increase. The opposite is the case in Russia, where 80% of our sales are conducted online. The recent period was important for us, as we studied the habits and needs of our customers in detail and learned a great deal about them.

Since 2019, different varieties of Mondo coffee have also been available on Amazon. How are sales on this platform, and who are the buyers?

We always maintain a high level of customer satisfaction on Amazon. Mondo's products receive positive reviews, with our drip coffee being particularly popular. This is a great achievement for us as a new foreign coffee brand on the competitive American market. Our first year on Amazon was profitable. We even managed to find our niche on the website in the shape of our drip coffee. We did this by offering high quality at the best prices. As a result, our Amazon sales are growing by an average of 13% each month. Our coffee is also sold online in the US by Walmart. As for our customers, they represent a broad spectrum with one thing in common: they are all looking for high-quality products.

Based on your observations and experience, which are the markets where Georgian coffee is competitive?

There are markets with centuries-old coffee traditions that are difficult to crack. One example is Italy, where all foreign brands find it difficult to establish themselves. Nevertheless, I think there are many markets where Georgian



coffee products can become successful, especially in multi-cultural and diverse countries such as the United States.

We know that European countries do not cultivate coffee. They import raw materials just like we do. Therefore, product quality is so important, and quality is the main advantage of Mondo coffee. I believe that if we can increase our exports to competitive markets, we can popularize Georgian coffee as a brand.

What are your main export destinations, and what other markets are you aiming for?

We began exporting our products in 2017. Since then, the volume of our exports has been growing each year. This year we expect to achieve 7% to 8% growth. We have official branches in Russia and the USA, which is why these two countries are our main export destinations. Furthermore, we are represented in Greece, Azerbaijan, the United

Kingdom and Germany. We are also cooperating with several Gulf countries and will soon be entering Kazakhstan. Talks are ongoing with a distribution company in Spain. We often take part in international exhibitions to enhance our popularity and will continue to do so. Mondo is an Italian word that means the world. We, therefore, intend to be represented across the globe.

Mondo is a member of the International Coffee Organization. What are the trends on the global market?

One of the more interesting trends is the growing market share of natural coffee. In contrast, demand for instant coffee is gradually decreasing. Manufacturers are also increasingly focusing on quality improvement. On the other hand, the global coffee market has been facing numerous challenges recently. For example, production of raw materials in Brazil fell due to drought and COVID-19. The pan-



demographic also made it difficult to transport raw materials and sea containers. Higher costs led to price increases. We also have to pay more for the transport of raw materials, but we decided not to raise product prices.

Tell us about Mondo's future projects and plans.

Let us start with Georgia. The coffee culture is growing in our country, and so is demand for high-quality coffee. This is a very good trend. We are constantly working on improving quality, creating new flavors, and so on. At the same time, we are increasing our product sales and expanding our export markets, including to Russia, the United States and EU countries. We are planning to open a mini enterprise in the US under the Mondo name, focusing on production of specialty coffee. Additionally, we intend to make our drip coffee available to supermarkets. Most shops in the US stock similar products by well-known brands, but

there has been nothing new in the drip coffee category for quite a while. We believe it is time to change something, and our brand can introduce those changes. We already started working on this and came up with an alternative product in the shape of drip coffee in packets that are like tea sachets and are used much in the same way. We will soon offer this product in limited quantity and await customer feedback.

Additionally, as our exports are growing, we are starting to face the need to increase our output. We are currently producing two tonnes of coffee per day, but we need more. We recently obtained funding under the Enterprise Georgia programme for a second time. The sum of one million lari will help us add new automated Italian brands to our enterprise, increasing our output by 45%.

We firmly believe that Mondo will grow to become a brand that can float its shares on the stock exchange one day. **S**



ECONOMICS

GELA BARSHOVI

FOREIGN SOURCE INCOME IN GEORGIA



WHAT IS CONSIDERED AS “FOREIGN SOURCE (TAX EXEMPT) INCOME” ACCORDING TO THE GEORGIAN TAX CODE? There is a common misunderstanding of the term.

Any foreign source income of individuals is exempt from personal income tax in Georgia

Georgia applies the so-called “territorial taxation principle” for natural persons (individuals). In other words, individuals in Georgia are exempt from personal income tax on income received from a non-Georgian (foreign) source.

THE LEGAL BASE OF THE TAX EXEMPTION ON FOREIGN SOURCE INCOME.

Article #82.1 (u) of the Georgian tax code (GTC):

“1. The following types of income of natural persons shall be exempt from income tax:

u) Income (including gains) received by a resident natural person which does not belong to Georgian source income.”

Notably, the above citation only mentions a “resident natural person” because worldwide income is subject to personal income tax for resident individuals and they receive tax exemption on foreign source income based on this separate above-cited article (Article #81.1.u). While for non-residents only Georgian source income is subject to tax. Thus, the final tax implication on foreign source income of resident and non-resident individuals is the same - no tax.

A MAJOR MISUNDERSTANDING IN THE MEANING OF “FOREIGN SOURCE INCOME” IN GEORGIA

There is a myth believed by many foreigners living in

Georgia that: “Any income received from abroad is foreign source income, therefore, is fully exempt from personal income tax in Georgia.”

This is a huge misinterpretation of the law, which might lead to many individuals facing problems with the Georgian Tax Authority (additional tax assessments and sanctions that can also lead to criminal cases being opened if the additional unpaid tax liability is 100,000 GEL and above).

Below I will provide a brief explanation of why all income received from abroad is NOT foreign source income, thus it is NOT exempt from personal income tax in Georgia.

THE DEFINITION OF “FOREIGN SOURCE INCOME” BASED ON THE GEORGIAN TAX CODE

Article #104 of the GTC is dedicated to determining a source of income for the purposes of taxation in Georgia. We should rely ONLY on Article #104 of the GTC when we analyze whether the income is considered as from a Georgian source.

Article #104 is very long and complicated, discussing it in its entirety would require more than twenty pages, so I will only briefly analyze the most important and most frequently applicable paragraphs of the article, which hopefully will demonstrate that the term “foreign source income” should not be understood literally (i.e., any income received from abroad).

Please Note: Article #104 does not directly provide a definition of “foreign source income,” it explains what is considered as “Georgian source income” and whatever income is not “Georgian source income” is automatically “foreign source income.” So, if the income is not described in either paragraph in the article, it means that the income



comes from a foreign source.

Article #104 of the Georgian Tax Code:

1."For the purposes of this section, Georgian source income is:

c) Income earned from the delivery of services in Georgia. For this purpose, unless otherwise stated in this article, services shall be deemed to be delivered in Georgia, if:

c.g) a service provider and a service recipient are in different states and the service provider is a Georgian resident, except where the service provider delivers services through its permanent establishment in another country that confirms the fact that the service provider has delivered services in another country (other than in Georgia)."

My understanding of the definition of the source of a service fee (in the above paragraph) is the following:

If a cross-border service delivery takes place where a service provider and service recipient are residents of different states, the income gained from this transaction will be categorized as Georgian source income if the provider is a Georgian resident, and the income is considered foreign source if a provider is a non-resident (with some exceptions).

Let put this differently -based on the paragraph above, a cross-border service fee is Georgian source income if it comes from a foreign country and a service fee is foreign source

income if it comes from Georgia.

For example, if a Georgian resident provides translation services to a French company while living in Georgia, and the French company pays for this service and transfers money to Georgia, this income is considered as Georgian source income regardless of the fact that the income was actually received from abroad, because the service provider is a Georgian resident. As a result, that income is taxable in Georgia because it is not considered as a "foreign source income."

So, as you can see, the definition of "foreign source income" is sometimes interpreted differently to its literal meaning: If money is received from abroad, it is categorized as Georgian source income and if money is paid from Georgia to abroad, it is considered as a foreign source of income.

Notably, the rule above has several exceptions (e.g., permanent establishment (PE) in Georgia or abroad and accruing costs by a non-resident on Georgian territory for provision of service to a Georgian resident). These exceptions will not be analyzed in this particular article.

WHAT TYPES OF INCOME RECEIVED FROM ABROAD ARE CONSIDERED FOREIGN SOURCE INCOME?

The sub-paragraph "c.g" of Article #104, which I explained briefly above, refer to service provisions and are frequently subject to different interpretations, however, there are types of income that with relatively greater certainty are considered foreign source income if they are received from abroad.

The non-exhaustive list of those types of income is as follows:

- Dividends,
- Interest payments,
- Pensions,
- Royalties,
- Capital gains from reselling shares in a foreign company (with exceptions),
- Capital gains from selling cryptocurrency.

So, if a natural person is a resident of Georgia and owns shares in a foreign company and receives dividends from those shares, this income in most cases is not taxable in Georgia. The same applies to interest payments, pensions, royalties, and capital gains (with exceptions) received from abroad to Georgia.

To put it simply, passive income received from abroad is usually deemed foreign source income, but this rule does not apply to active income.

As a result, Georgia is an incredibly attractive place for stock traders because neither dividends, nor interest or capital gains from this activity is taxed in Georgia in majority of

cases, however, the rules about passive income also leave room for various interpretations that I will briefly explain below.

Dividend payments received from abroad in some cases might NOT be seen as “dividend payments” rather as active income

It is important to note here that when I talk about dividend income, I mean real passive income that a person receives through holding shares in a foreign company.

On the other hand, if an individual owns a so-called “one-man company” abroad, where he/she creates most of the value in the company (e.g., he/she personally performs services which is consequently sold by the foreign company) and he/she receives a dividend from this company, this income might not be perceived as a dividend by the Georgian Tax Authority but rather be qualified as a “salary” or “service fee” or as “other income”, and, therefore, taxable in Georgia.

So, each case needs to be analyzed individually before you qualify your income as Georgian or foreign source.

In addition to the above, Article #104 includes one very “tricky” paragraph with the following wording:

“q) (Georgian source income is) other income earned from carrying out activities in Georgia.”

This paragraph is applicable only in case if a certain type of income does not fall in any other paragraph of Article #104 as paragraph “q” says “other income” not just “income”. Nevertheless, in certain cases the paragraph can be applied by the Georgian Tax Authority as a legal base for claiming that the individual's income is from a Georgian source.

Especially when income received by an individual from abroad is associated to her/his active work conducted while living in the territory of Georgia.

For example, this is applicable in the case of when a person creates the main value in her/his foreign company and performs business activities on behalf of this company while living in Georgia and receives only dividends or if

an individual does day-to-day trading.

This is not fully clear though, because, on the one hand, the wording “carries out activity in Georgia” is satisfied and this can be “used” by the Georgian Tax Authority in their favor when interpreting the law. On the other hand, if the income is qualified as a dividend, royalty payment, interest, or capital gains, then such income cannot be considered as “other income” (which is an important precondition for applying paragraph “q”) because the income has already been categorized in the above paragraphs of Article #104 and the term “other income” refers to the type of income that has not been categorized by any other paragraph of Article #104.

THE TERM: “CARRYING OUT ACTIVITIES IN GEORGIA”

Also, if a person just holds shares and receives dividend payments, capital gains, or interest, then just holding –in my opinion –will not be considered as “carrying out activities in Georgia.”

This is my view, but it is not known what the official position of the Georgian Tax Authority is on this issue. As of today, there has not been any official guideline providing clarification of application of the mentioned paragraph “q,” which is a legitimate reason to be extremely cautious.

Also, each case is judged individually and even a small detail in a case can change the entire tax implication. That is why in each and every case requires thorough individual evaluation before giving the most correct qualification to any income and determining its source. It is strongly advised that one takes the advice of a tax professional from an accounting firm like www.tpsolution.ge.

WHAT IS THE BEST SOLUTION REGARDING THE TAXATION OF YOUR GEORGIAN SOURCE INCOME?

If after reading this article, and/or after consultation with a tax adviser, you find out

that the income you are earning is Georgian source income and does not fall under a category of tax exemption, there are still ways to enjoy tax incentives in Georgia (a non-exhaustive list):

- Obtain the status of a “small business” and pay only 1% revenue tax (applies to certain types of activities, under 500,000 GEL annual revenue, applies to service fees not to employment income, the service fee should not qualify as wage based on the substance of the operation).
- For IT professionals who obtain the status of a “Virtual Zone Person” or an “International Company.”
- Register an LLC in Georgia (especially if you plan to reinvest your profits in Georgia).
- Other options.

CONCLUSION– GEORGIAN AND FOREIGN SOURCE INCOME

Non-Georgian source income is in fact exempt from personal income tax in Georgia, however, the term “foreign source income” should not be understood as literally as it may sound, Article #104 should be analyzed to determine the source of any income.

Regarding active income, the rule provided by Article #104, should not be understood verbatim (i.e., any income which comes from abroad), the reasons for this have been explained above.

In general, Article #104 is frequently subject to interpretation and its application requires thorough analysis, but what we clearly know is that a service fee received by a resident of Georgia from abroad, while living and working in Georgia, is Georgian source income and taxable within personal income tax in the country.

The same principle does not apply to passive income. In many cases, passive income (e.g., dividends, interest, capital gains) received from abroad is considered as foreign source, however, the rule is not straightforward, and it requires analysis on a case-by-case basis. **F**

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How Much Do Countries Spend on Education?

by Martin Armstrong

WHEN IT COMES TO EDUCATION, there are not only big differences in attainment levels across the world, but also the amount of a country's resources which are spent on investment in the sector. According to the OECD's latest report, Norway is one of the countries which spends the largest share of its GDP on education, at 6.7 percent when also accounting for the tertiary sector. At the other end of the scale of analyzed countries, Russia spends just 3.4 percent.

As noted in the OECD's report: "The willingness of policy makers to expand access to educational opportunities and to provide high-quality education can translate into higher costs per student and must be balanced against other demands on public expenditure and the overall tax burden. As a result, the question of whether the resources devoted to education yield adequate returns features prominently in public debate. Although it is difficult to assess the optimal resources needed to prepare each student for life and work in modern societies, international comparisons of spending on educational institutions per student can provide useful reference points".

