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## FOCUS ON THE BRITISH - GEORGIAN RECOVERY

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## USAID Georgia Mission Director: USAID Working to Support the Economic Recovery in Georgia

EXCLUSIVE INTERVIEW BY KATIE RUTH DAVIES

Since March, the US Government has dedicated new USAID funding to support infection prevention and control, case-finding and event-based surveillance, technical assistance for response and preparedness, strengthened risk communication, and more.

Additionally, existing USAID programs have responded rapidly to the challenge of COVID, working with private sector companies to help deliver medical supplies, partnering with local civil society organizations to support at-risk communities, working with government counterparts to support the continuation of public services, and helping Georgia prepare for the economic recovery from COVID-19.

GEORGIA TODAY sat down for a virtual interview with USAID Georgia Mission Director, Peter A. Wiebler to find out more.

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Markets									
As of 08-May-2020									
STOCKS	Price	w/w	m/m	BONDS	Price	w/w	m/m		
Bank of Georgia (BGEO LN)	GBP 9.17	-7.0%	-4.8%	GEORG 04/21	96.69 (YTM 10.48%)	+0.3%	-0.1%		
Georgia Capital (CGEO LN)	GBP 4.30	+5.4%	-18.7%	GEORG 04/21	100.94 (YTM 5.80%)	-0.0%	+0.0%		
GHG (GHG LN)	GBP 0.81	-6.9%	-17.0%	GRAIL 07/22	98.40 (YTM 8.57%)	+0.0%	-1.9%		
TBC Bank Group (TBCG LN)	GBP 7.88	-5.1%	+7.2%	GEBGG 07/23	95.16 (YTM 7.73%)	+0.8%	-8.7%		
COMMODITIES	Price	w/w	m/m	CURRENCIES	Price	w/w	m/m		
Crude Oil, Brent (US\$/bbl)	30.97	+17.1%	-5.7%	GEL / USD	3.2136	+0.4%	+0.9%		
Gold Spot (US\$/OZ)	1 702.70	+0.1%	+3.4%	GEL / EUR	3.4793	-2.0%	+0.6%		
				GEL / GBP	3.9849	-0.4%	+1.1%		
INDICES	Price	w/w	m/m	GEL / CHF	3.3031	-0.8%	+1.0%		
FTSE 100	5 935.98	+3.0%	+4.5%	GEL / RUB	0.0436	+2.6%	+2.8%		
FTSE 250	16 247.94	+0.6%	+2.4%	GEL / TRY	0.4532	-0.7%	-3.6%		
DAX	10 904.48	+0.4%	+5.5%	GEL / AZN	1.8884	+0.1%	+0.8%		
DOW JONES	24 331.32	+2.6%	+3.8%	GEL / AMD	0.0066	-1.5%	+3.1%		
NASDAQ	9 121.32	+6.0%	+12.7%	GEL / UAH	0.1196	+0.6%	+2.7%		
MSCI EM EE	134.70	+2.3%	+1.4%	EUR / USD	0.9225	+1.3%	+0.1%		
MSCI EM	911.65	-0.6%	+4.3%	GBP / USD	0.8061	+0.7%	-0.2%		
SP 500	2 929.80	+3.5%	+6.5%	CHF / USD	0.9713	+1.0%	-0.1%		
MSCI FM	2 002.46	+2.0%	+4.6%	RUB / USD	73.4216	-1.3%	-2.0%		
GT Index (GEL)	1 582.68	-	-	TRY / USD	7.0875	+1.1%	+4.6%		
GT Index (USD)	1 208.13	-	-	AZN / USD	1.7046	+0.4%	+0.7%		



# Nikoloz Chkhetiani, Cartu Fund CEO, on the Mtatsminda Forest Restoration Project

EXCLUSIVE INTERVIEW BY  
KATIE RUTH DAVIES

Last Friday, Tbilisi Mayor Kakha Kaladze announced that the Cartu Fund, established by Bidzina Ivanishvili, former Georgian PM and current Chairman of the Georgian Dream party, is to fully finance the restoration of 700 ha of forest on Mount Mtatsminda overlooking Georgia's capital Tbilisi, a project currently estimated at 16 million GEL.

GEORGIA TODAY, through GT LIVE INTERVIEWS, spoke to Nikoloz Chkhetiani, Chairman of the Supervisory Board at Cartu Fund, to find out more.

## HOW BIG IS THE AREA EARMARKED FOR REPLANTING, AND WHERE IS IT LOCATED?

It will span an area of 700 ha (7 square kilometers) from the Mother of Georgia statue on the Sololaki Range to Mount Mtatsminda, including the Vera Range and Turtle Lake.

## WHEN WILL THE PROJECT START AND HOW LONG WILL IT LAST?

Preliminary planning was started in



January. The pandemic put that on hold, however, and we couldn't announce our project as, of course, everyone was focused on the pandemic. We are working on it now in collaboration with 'Development & Environment'. It's a long-term project that is expected to last around four years. This may be extended as necessary: this is difficult to calculate, as is the budget. 16 million GEL is the number we have at the moment, but it could ultimately increase.

## WHY WAS IT DECIDED TO FUND THIS PROJECT?

Cartu Fund is a large charitable foundation that is also the oldest in Georgia. We fund hundreds of different projects in

many directions- in 20 years we have given \$3 bln to charitable causes in many spheres of life: culture, sports, science, education. The environment is very important to us as well, and we have funded many projects in various Protected Areas of Georgia, among them Vashlovani, Tusheti and Lagodekhi, so the environment and taking care of it is nothing new for us. Tbilisi has a big environmental problem, which has built up over the decades. People can clearly see many dried-up or dead trees [on the Mount]. Our once green capital is becoming ever dirtier, making this the right time to begin a project like this. Furthermore, Mtatsminda is one of most import sightseeing destinations in Tbilisi and we must pro-

tect it and ensure that it is as green as we remember it to be from our childhoods, for both citizens and guests.

## WHAT PART OF THE PROJECT WILL DEAL WITH THE FOREST AND VEGETATION, AND WHAT PART WILL CONCERN INFRASTRUCTURE, SUCH AS PATHWAYS AND PICNIC SHELTERS?

I can't give an answer as yet because we're still at the research stage. But I can say that there will be no concrete or brick, that is to say, permanent, structures. There will be tourist walkways, cycle tracks, and temporary eco-friendly infrastructure installed for picnics and such.

## WHAT CHALLENGES DO YOU EXPECT TO FACE?

The most important thing is to get a clear picture of what's going on there first. Many trees are already dead, and while this can be partly attributed to global warming, this is not the only cause for the degradation.

Mtatsminda has not always been green. It used to be a forested area during the medieval period but over time, people used the woods for their own ends and this led to deforestation. Photographs from the 19th and early 20th centuries

clearly show the mountain to be "bald" - mainly featuring grass, with hardly any trees. In the 1950s-60s, the Soviet government started to plant vegetation on Mtatsminda, and while we are grateful to our fathers and grandfathers who actually carried out this work, mistakes were made. Some of the trees that were planted there were not endemic to Georgia, and being in a non-native habitat reduced their natural longevity. And everything was planted within a few years of each other, which is one of the reasons we are seeing them dying off en masse, at the end of their lifespan. Other factors are also involved here: some trees are diseased or have pests. Not all of the trees on the Mount are dying, though, as some species are more resistant to environmental factors.

Choosing the correct vegetation to be planted there in the near future is a challenge that we are facing at the moment. We don't have the luxury to make mistakes and choose plants that will not survive beyond a few decades. It is the responsibility of our specialists to select endemic species, grown in Georgia-based nurseries. Anything brought from abroad will have already been tested in Georgia and will be known to be able to survive here.

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## Time to Get Your Hair Cut: Gov't Lifts More Restrictions

BY ANA DUMBADZE

As the spread of COVID-19 appears to be slowing, the Georgian government is pushing ahead (and ahead of) its planned 6-steps to recover the Georgian economy, by relaxing even more of the lockdown restrictions.

### MEETING FRIENDS

Though the nightly 9pm-6am curfew is to remain in force, as is our inability to travel more than three to a car, in other areas, normality is being allowed to creep back in.

"We made the decision to lift the restriction on the gathering of more than three people both indoors and outdoors," Prime Minister Giorgi Gakharia said at the government meeting. "However, this does not mean that the restriction on the presence of three people per car will also be lifted. This restriction has an important epidemiological explanation; our doctors have convinced us of this. The recommendations of professionals in the fight against the pandemic are critically important."

### GETTING THAT MUCH-NEEDED HAIRCUT

From May 18, beauty salons and aesthetic centers will be reopened, as will the quarantine zone in Marneuli municipal-

ity. Marneuli municipality in eastern Georgia has been on lockdown since March 23, after a local woman tested positive for COVID-19 and was in contact with dozens of people.

### OPENING BORDERS

"Georgia should become one of the first countries able to open its borders and receive guests," Georgian Prime Minister Giorgi Gakharia said at a government meeting.

He noted that successful negotiations are underway with a number of countries on this issue, particularly with the Czech Republic, Poland, the Baltic states, Austria and Georgia's neighboring countries.

"Today, we can say that we are in successful negotiations with several countries in this direction. The first such country seems to be Israel, with which we will have a safe green corridor and which will provide an opportunity for Georgia to welcome tourists soon. Of course, we will do our best to host them in a way that suits our country while taking care of their health," the PM emphasized.

In Georgia, the State of Emergency is to be ongoing until May 22. However, state officials claim that if COVID-19 cases continue to shrink, the country will be able to return to a normal course and speed up the process of lifting restrictions.

Currently, there are 257 active cases in the country.



## Georgian Shields Made from Recycled Bottles: EU, UNDP Provide Protective Gear to Frontline Medical Personnel

The European Union (EU) and the United Nations Development Program (UNDP) handed over 7,500 protective face shields to the Emergency Situations Coordination and Urgent Assistance Center of the Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia.

UNDP Head Louisa Vinton, Thematic Coordinator for Economic Development and Market Opportunities at the EU Delegation to Georgia; Dominik Papenheim; and Director of the Emergency Situations

Coordination and Urgent Assistance Center Avtandil Talakvadze, met at the Center premises in Tbilisi to hand over the protective gear and discuss future assistance to front-line medical personnel.

Manufactured by the Georgian company CaucasPack with EU and UNDP support, the adjustable and reusable face shields will help ensure that emergency crews in Tbilisi and Georgia's regions are able to do their jobs safely amid the COVID-19 pandemic. The shields are made from recycled plastic bottles.

This assistance is part of a larger program of support for healthcare workers,

civil servants and other at-risk personnel who are working all over the country, providing people with essential healthcare and other services.

More than 40,000 face shields were produced in April and May with assistance from the EU, UNDP and the governments of Switzerland, Austria and the United States, to be distributed in Tbilisi and Georgia's regions. UNDP, with assistance from the EU and the US, is also ensuring that protective equipment and other medical supplies are provided to Abkhazia, Georgia, to mitigate COVID-19 risks.





# Georgia's Innovation & Technology Agency Supports Adaptation to the New Reality

BY TEAM GT

**A**s the world struggles to get a grip on the coronavirus pandemic, every field or activity faces a new challenge. The solution is one: to adapt to the new reality and to turn the crisis into an opportunity.

To respond to the COVID-19 challenge, the Innovation and Technology Agency of the Ministry of Economy and Sustainable Development, based on the recommendations of the World Health Organization and health experts, has launched a number of projects and programs:

- Under the GITA Small Grants Program, the amount for prototyping has been increased from GEL 5,000 to GEL 15,000. A new component of the development of e-services has been added to the prototype grants, which will help Georgian businesses in developing remote services. The agency's grant programs, including the GEL 650,000 grant program, have not been suspended and the information days have shifted to an online format.

- GITA was among the very first to conduct an online hackathon against COVID-19. The aim of the online marathon was to create products or services

that would effectively help our country fight the problems caused by the coronavirus crisis. A total of 350 applications were received; Edison Tech received a prize of GEL 20,000 for its project to create a portable breathing apparatus that can be used both in critical situations and at home.

- GITA has launched free online courses for entrepreneurs, designed to help them create an online platform to support their businesses, learn about the basic functions of management and the principles of working with an audience. With the involvement of regional technoparks, interested people can study various computer programs remotely.

## 500 STARTUPS

On the initiative of GITA, and with the support of the Bank of Georgia, one of the world's leading business accelerator 500 Startups has entered the country. The tripartite signing took place on February 20 and the application process has begun. Selected startups will have a unique opportunity to go through the acceleration process and present their products to the global market.

The GITA Chairman said: "In the face of global challenges, it becomes even more important to promote startups and innovations. It is vital that at this time, with the support of the state, the



world-class accelerator 500 Startups will help startups accelerate business development processes and become participants in global processes. It's also

noteworthy that the entry of such a large international player into the country significantly increases the interest of foreign venture and real investors in the Georgia's innovation ecosystem. I'm glad that the private sector has been actively involved in this process. I would like to thank the team of the Bank of Georgia for their involvement in the initiative and for improving the access to finance for startups. I think today, as never before, startups in Georgia are presented with unique opportunities to develop their innovative projects and establish themselves on the world market".

The entry of 500 startups into Georgia is a regional event. Such world-class accelerators only enter countries with high potential, therefore, they are interested in strengthening the ecosystem and attracting large international investors. The involvement of the private sector has also been notable. The Bank of Georgia will mobilize \$1 million in startups as an additional investment.

500 Startups is among the top three accelerators in the world. The company has its own venture capital fund, headquartered in Silicon Valley, with a capital of more than \$454 million. The entry of a high-class accelerator will help Georgia strengthen its startup ecosystem and develop investment potential.

# Top Experts Discuss COVID-19 Impact & Challenges on Higher Education Sector

BY ANA DUMBADZE

**T**he International School of Economics at TSU (ISET) and ISET Policy Institute held the second in a series of international Policy Panels, this titled 'Re-imagining Higher Education Post-pandemic'.

The online panel focused on the impacts of COVID-19 on the higher education sector globally, bringing together top expert views on the longer-term prospects and challenges for universities and students.

The participants of discussion were: Dr. Mikheil Chkhenkeli, Minister of Education, Science, Culture and Sport of Georgia; Dr. Karl Dittrich, President of European Quality Assurance Register for Higher Education; Dr. Sijbolt Noorda, President of Magna Charta Observatory, Bologna and Academic Cooperation Association, Brussels; Dr. George Sharvashidze, Principal of Ivane Javakishvili Tbilisi State University; and Dr. Sebastian Molineus, World Bank Regional Director for the South Caucasus.

The event was moderated by Dr. Tamar Sulukhia, Director of ISET and the ISET Policy Institute.

The participant top experts shared their expertise and views on how financial, economic and demographic pressures impact demand, enrollment and mobility in higher education, how the post-pandemic socio-economic outlook will reflect on funding, institutional traditions, academic programs and sustainability of colleges and universities, and if higher education be able to re-invent



Image source: ISTOCKPHOTO.COM/Z\_WEI

itself and push the frontier forward during post-pandemic stage.

The benefits and superiorities of online learning and Georgia's achievements in this direction were also emphasized, with the panelists unanimously agreeing that even during post-pandemic period, certain electronic features, resources and tools of distance learning should be maintained and integrated with direct teaching method.

Minister Chkhenkeli noted that nowadays, the situation is very difficult in every country; however, the process of educating the young generation should continue unhindered.

"There were a lot of joint efforts, as a

result of which we are able to cope with the current challenges. Georgia fruitfully established a distance learning system, which was praised by Microsoft, who noted that we had developed distance education very quickly and effectively. And we are very proud of that," he stressed.

Speaking of current challenges in the field of education during the pandemic, the Minister thanked teachers and professors, calling them "heroes," and emphasized the great contribution and financial and moral assistance of international partners, including the World Bank and its regional director Dr. Sebastian Molineus.

"Their financial and moral support is very important for us," Chkhenkeli noted.

He further noted that systematically, the practice of online learning was quite new for Georgia and there were few online learning platforms available; however, despite this fact, universities were quick to develop such methods and platforms.

"The quality is very high, for which we are very thankful to representatives of our education sector," he said.

The Minister pointed out that the main challenge of online learning was that not all students have access to internet, and, accordingly, the Georgian Public Broadcaster established the TV School, giving pupils televised lessons on the Public Broadcaster, a success from the first program which was broadcast on 30 March.

Chkhenkeli concluded that even when students go back to school, electronic resources should be kept as extra measures in addition to general learning. "It brings the world closer," he said.

Dr. Karl Dittrich stressed the importance of culture and education during the pandemic, especially of online learning. He praised Georgia's effort to establish the TV School, calling it "a great achievement," and the country's progress in this field in general. In his words, it is a "new wave of learning and getting educated."

Dr. Sijbolt Noorda said while participating in the online discussion that a special educational workshop was to take place in Tbilisi, postponed until November due to the pandemic.

"We are very optimistic we can meet in Tbilisi in November, and when it happens, we will discuss and share our

experience on what we've learnt from this crisis so far, and how to continue our activities in the post-crisis period," he said.

Dr. George Sharvashidze, Principal of Ivane Javakishvili Tbilisi State, claimed that the creation of online courses was a big challenge for universities. There was also a challenge of cyber security.

"We're using various platforms to educate our youth, such as Zoom, Teams, etc. We have a lot of resources, online courses for students and professors. During the pandemic, Tbilisi State University made thousands of electronic books available for students, and other universities also did the same. The challenge for foreign students is also an issue we hope soon to solve," he said, adding that the TSU administration is also planning to organize summer schools for students for better results.

"I'm very thankful to our professors and international partners for their support. Open science is a very important issue and I hope that we will have more opportunities in this direction in the near future," he concluded.

Dr. Sebastian Molineus emphasized the challenge of students' mobility during the pandemic and the importance of providing social packages for students and vulnerable groups.

He discussed educational sector problems and challenges during the COVID-19 pandemic, and noted that governments are now heavily investing in responses to it, which will result in a shrinkage in budgets in the future.

"It will be critical for higher educational institutions, so collaboration and funding in this direction is especially important," he stressed.



# British Ambassador to Georgia: Creativity & Resilience Will Lead Us into a Very Promising Future

EXCLUSIVE INTERVIEW BY  
KATIE RUTH DAVIES

**G**T LIVE INTERVIEWS, in its "AMBASSADORS GO LIVE" series, meets diplomats to discuss, among other things, their countries' approach to combating the coronavirus, how they view Georgia's efforts in this regard, and their perspective on the future, post-COVID.

This week we spoke to British Ambassador to Georgia, Justin McKenzie Smith, who, prior to his appointment in Georgia four years ago, was Deputy Head of Mission and Director for Trade and Investment at the British Embassy in Mexico City until 2015, and Deputy Director responsible for the UK's relations with Russia, the South Caucasus and Central Asia in the Foreign and Commonwealth Office until 2011.

The latest COVID-19 statistics from the UK, which is 242,495 km<sup>2</sup> and has a population of 66.65 million, at time of writing were as follows: The UK appears 4th on the Worldometer coronavirus list, behind the USA, Spain, and Russia, with 196,175 active corona cases, of which 1,559 are critical. 33,186 British citizens have died and total cases currently stand at 229,705.

## WHAT STEPS HAVE YOU AND THE EMBASSY TAKEN TO PROTECT STAFF AND THOSE AROUND YOU?

We've been carefully following the recommendations of the Georgian government and health officials, combined with the advice coming from the UK, to ensure the safety of our staff members and their families. Also to make sure that we maintain the Embassy's essential business here in Georgia, which is to support British nationals and strengthen our special partnership with Georgia.

Our many team members have been working from home; and we have adapted to that surprisingly quickly. I would like to pay tribute to many of my colleagues who haven't been able to work from home due to the nature of their jobs, and who have been keeping the British Embassy operational over these many weeks. I know that there are workers like them across all Georgia, who have been keeping the country going.

## TELL US WHAT STEPS YOUR COUNTRY'S GOVERNMENT AND HEALTHCARE SYSTEM HAVE TAKEN TO FIGHT COVID-19, AND HOW EFFECTIVE YOU THINK THAT FIGHT HAS BEEN.

It's not questionable anymore that the coronavirus pandemic is the biggest public health emergency in a generation. In the UK, our immediate effort has been to protect our national health service, and in doing so, to save lives.

I want to pay tribute, if I may, to the extraordinary effort of our frontline national health service in the UK, and the health workers across Georgia, as well as all kinds of different sectors who have been keeping the essential functions of our society going.

In response to this unprecedented epidemic, the UK government introduced preventative measures very similar to those in Georgia. The whole situation has been tough, but the combined efforts of the healthcare workers and other communities in our society proved effective, so that we're now past the peak of this outbreak.



Prime Minister Boris Johnson on Sunday introduced the government's recovery strategy which will lead us into the next stage of COVID-19 response, and shall be informed by science, as in all stages of this fight.

I think we should not concentrate solely on separate national responses to this crisis; international cooperation is the best cure for COVID-19. This outlook has been essential in the UK's response to the pandemic. There are many examples of how we've been encouraging the closest possible international coordination. We put forward the global coronavirus initiative on May 4, which raised an astonishing \$7 billion for vaccines and therapy.

I'm also delighted that we've been able to increase the UK aid to many of the key international organizations such as the WHO, the UN agencies and others who are on the frontline of this fight. I'm doubly delighted that some of these organizations have been using this aid here in Georgia to protect vulnerable communities from the virus. With our help, UNICEF has been providing special help to those in need.

We've been able to adjust and refocus some of the existing programs that we've had in Georgia, including the public administration reform, and to support those government agencies who are on the frontline of delivering Georgia's COVID-19 response.

This is not just a health crisis. It is equally an economic and a social crisis for us all. I have been delighted to see the strength of the response of the international financial institutions here in Georgia, of which the UK is a very active contributor and a board member. We're

looking at ways to ensure that the Georgian economy bounces back as quickly as possible.

## IF YOU COULD GO BACK IN TIME, WHAT WOULD YOU RECOMMEND BE DONE DIFFERENTLY?

I'm sure that profound lessons are going to be learned in every society. I think that is inevitable and potentially very positive. For now, the focus is still on addressing the immediate challenges that our countries are facing. But the phase of learning the lessons will surely come, and it will be a very important phase.

## MANY PUBLICATIONS, BOTH IN THE US AND EUROPE, HAVE OVER THE PAST MONTH PRAISED GEORGIA'S HANDLING OF THE PANDEMIC. FROM WHAT YOU HAVE READ OR HEARD, WHAT IS YOUR TAKE ON THAT?

I think Georgia's response has been remarkable. The government's work has been impressive with its rigor and carefulness. The role played by Georgia's healthcare sector is also significant. We've seen real leadership from the members of the healthcare sector, which I think has been vital for Georgia and has set an example for the international community. What stands out for me the most is the involvement of the whole of society. No success could have been possible without the extraordinary response from Georgia's society, that boldly stood up against the virus. The result is the relatively low figures of infection that we're seeing, and the possibility for the Georgian government to accelerate its 6-stage exit plan.

## WHAT IS YOUR COUNTRY DOING TO SUPPORT ITS CITIZENS, ESPECIALLY THOSE WHO LOST THEIR JOBS DUE TO THE PANDEMIC?

We protect our citizens through a very effective and capable healthcare system; but we also need to back that up with economic, fiscal, social and employment measures. That has been a very key part of the British government's response to this crisis. The UK government is running the coronavirus job retention scheme, which has been extended till the end of October. What the government is doing through that scheme is to cover up to around 80% of the salary of certain workers in the UK, and as a consequence, around 7.5 million workers' jobs have been protected. This is absolutely vital for individual livelihoods and families, and also for the long-term well-being of our economy.

On the fiscal level, the British government has been extending various loans and guarantees to businesses, in order to protect cash flow throughout this crisis; something in the region of 14 billion pounds has been offered in that way. Protecting our essential businesses as we move through this crisis has been an essential part of our response.

One other area of protection that I want to mention is the support that we've been providing to British nationals overseas. The network of British embassies and missions across the world have been working day and night to support British nationals who have been trying to return home; we estimate that around 1.3 million British nationals have returned to the UK during this period, whether by commercial routes or by specially

charted flights. As for those who were not able to return home, we've been trying to support them to stay safe during this crisis.

## HOW DO YOU SEE THE UK IN 6 MONTHS'/ONE YEAR'S TIME? HOW CAN THE WORLD'S ECONOMY RECOVER, HOW LONG DO YOU THINK IT WILL TAKE, AND WHAT SHOULD BE DONE TO MAKE IT HAPPEN FASTER?

I think one lesson that we have all learned is to be cautious about predictions. If we had asked the same question three months ago, none of us could have imagined what the last three months have been like. I would be cautious about being too definitive about the trajectory of the next three months; whether in Georgia, the UK, or anywhere else. There are two things that I want to say though. Firstly, we're not at all out of this crisis. We need to stay alert, to make sure that we're keeping the virus under control, and that we're saving lives. The second thing is that as we do start to re-emerge from this extraordinary crisis, both in Georgia and in UK, we need to use the reserves of creativity and make sure that we build back better. I think there are huge lessons that we've learned as a result of this crisis, and I also think there will be opportunities that come out of it. I'm confident that over the next 6 months and beyond, it's this kind of creativity and resilience that exists in both countries that will lead us into a very promising future.

Transcribed by Elene Dzebisashvili



# Post-Corona Modus Operandi

OP-ED BY NUGZAR B. RUHADZE

**V**irus or no virus, the political bickering is still at its height in Georgia: the government doing its job as diligently and perseveringly as possible, and the opposition trying very hard to drive down the newly generated wide public support for the ruling party by doing everything they can to mock and belittle the commonplace but justifiable fear of the coronavirus, and overstress the economic disruption.

Naturally, demands to end the state emergency and open businesses are increasing in the country, but relief from curfew and quarantine is to be introduced later rather than earlier, although the oppositional forces are in a febrile hurry to go back to fulltime work forthwith, which can backfire badly. The opposition would like nothing better than for something to go wrong as a result. The political dividends they are still dreaming to acquire in the wake of the still rampant bug might never come, although the most hopeful continue to think that victory in the upcoming parliamentary elections is only smiling upon them. Well, blessed are the believers! As long as our worn-out but still politically charged electorate is concerned, they only want to see the country ruled by the best. And the best are not very difficult to notice even with half-open or even closed eyes.

There is nothing terribly complicated with today's political arena in Georgia. All the ambitions and aspirations are



exposed to the extent of stark nakedness. And there is nothing terribly abnormal about it: as the saying goes, there's nothing wrong in trying! After making numerous mistakes, the allied opposition and their supporters think they might finally have a chance, provided they manage to disparage the governmental efforts in the public eye, creating panic and sowing

pessimism all over the place; their utterly unbridled dream being the eventual ridance of those who firmly continue holding the reins of national wellbeing.

It is interesting to note that the Georgian opposition, once raging in the format of multiple ramifications, has now morphed into one fighting force, though each piece of this new "old force" feels

and behaves as if totally independent; abhorring each other as per tradition; some of them desperately trying to rally the artificially-knit-together oppositional power for a revolutionary outcome.

In consequence, some of the people take their action as another abortive performance set on revenge; some consider them astute enough political trick-

sters; and others think that there is no alternative to the current government at this very moment- most, in fact, are sure that no other government right now could handle the crisis in the country as dexterously as this. The only thing they have to add to their operability in the crisis is the invention of the smartest possible post-corona modus operandi. I am sure they are working on the issue with the same sharp wits that they used at the debut of the virus.

I can't put any recommendations here because I have nothing to do with the governing mode of the country but I, as one of the thinking species, can throw in a couple of pieces of advice, like getting rid of anybody within the ruling branch who is not good enough to keep up our government's good image and fame, which they have deservedly earned in the last couple of months. I would also continue working in the same pragmatic way with genuine professionals who have mustered enough knowledge and experience to salvage the nation when there was need to do so. Georgia truly has enough brainpower to be picked even by the most developed western powers. This has been proven true when push came to shove in the face of the current viral jeopardy.

Undoubtedly, the opposition will not accept anything that gives credit to the ruling team because opposition is opposition is opposition. And God forbid this political culture ever be left without a controversial opinion directed against the rulers, because only in the fight between the ruling side of the aisle and its political adversaries can the truth be sought and found, consequently working on the rank-and-file's success and bliss.

## USAID Georgia Mission Director: USAID Working to Support the Economic Recovery in Georgia

Continued from page 1

### HOW HAS USAID RESPONDED TO THE COVID-19 PANDEMIC? HOW IS USAID WORKING WITH THE GEORGIAN GOVERNMENT, PRIVATE SECTOR, AND CIVIL SOCIETY DURING THE PANDEMIC?

Before I tell you the specific details about how we're responding to the current crisis, I would like to tell you why we've been able to respond the way we have. That is primarily due to the partnerships and relationships that USAID has built with Georgia's government, civil society and private sector, over nearly 30 years of work here, and thanks to the generosity and assistance of the American people.



Their handling of the crisis is reflective of Georgian capacity as well as the tremendous investments that Georgia's friends from abroad have dedicated to support the country

The best way I have to look at how we're responding now is as a continuation of America's support to Georgia since the country became independent again in 1991.

As for the specificities of what we're doing now, we've been able to provide the new emergency assistance to help Georgia cope with the COVID-19 crisis. That emergency assistance has been delivered through the International Federation of the Red Cross as well as the Georgian Red Cross, together with other international organizations here. We are providing humanitarian assistance to help vulnerable citizens all around the country, hoping to ensure that those in need are being provided with the basic humanitarian support, including hygienic products and food.

We've also helped a couple of hundred thousand persons with psychosocial support and basic information about how to cope with the current health crisis.

Some of our other emergency assistance will help procure much needed equipment and test kits for the National Center for Disease Control. We've been helping with the supply of lab equipment which will help process test; these are key measures for coping with the pandemic and helping on the recovery.

We're also trying to help the Georgian medical system incorporate more distance medicine types of techniques, which essentially means sharing information through video conferencing. It is essential to expand those facilities inside the country because the pandemic has created so many movement restrictions. There is a lot that can be done through virtual communication, and USAID is trying to help with some procurements that will create more and more opportunities for the advancement of distance medicine in Georgia.

### MANY GEORGIANS ARE CONCERNED THAT THE

### PANDEMIC AND ASSOCIATED SHUTDOWN WILL HAVE LASTING ECONOMIC EFFECTS. AS A DONOR THAT SUPPORTS GEORGIA'S ECONOMIC GROWTH, WHAT IS USAID DOING TO ASSIST THE ECONOMIC RECOVERY?

In March, USAID received a request from the Prime Minister's office, asking to provide some technical assistance pertaining to devising the economic recovery plan. Within a couple of weeks following the request, we were able to field a team of experts to embed and work with the Prime Minister's office, providing them with information and best advice to lead the economic recovery.

We've likewise responded to the requests from the Ministry of Agriculture; in March, we provided \$800,000 worth of American-made lures to help combat the brown marmorated stink bug, which has long been a real economic threat. We were able to procure and deliver a substantial package of support to the National Food Agency, so that the government's and the private sector's successful fight against the stink bug could continue. Last year's harvest was pretty impressive, I would say, and we've been trying to sustain the momentum. Even though the pandemic has obviously affected huge parts of Georgia's economy, farming still goes on.

Tourism has obviously been affected dramatically by the crisis. I think huge enthusiasm is already detectable in Georgia to open up the country for tourists. We have a strong partnership with Georgia's National Tourism Agency, and we've been working with them actively through our economic security program, to develop concrete and targeted strategies for attracting tourists back to Georgia. We want to help the country get back to welcoming tourists in a safe and responsible way, because the trends here have been so positive, and also because Georgia is so welcoming and has such a great tourism

potential.

These are just a few examples of how USAID is trying to drive and support the economic recovery in Georgia.

### WHAT ABOUT USAID'S SUPPORT FOR GEORGIA'S DEMOCRACY, GOVERNANCE, AND RULE OF LAW? IS THIS CONTINUING DURING THE PANDEMIC?

In addition to coping with the pandemic and the real impacts of COVID-19, I am impressed with how Georgia managed to keep some processes going which have nothing to do with the current health crisis. For instance, we've been working along with our European Union counterparts to support Georgia's electoral reform efforts. USAID has been providing technical assistance to Speaker Talakvadze and the electoral reform working group. That group's work has continued during the pandemic and they've been doing some amazing things. Obviously, we haven't seen the final product yet, primarily in terms of the constitutional changes that are needed as a result of a March 8 agreement. But I've been really impressed with the way the group has demonstrated resilience and creativity amid the pandemic. We've been happy to support that process, as friends of Georgia who want to see the reforms continue and are optimistic that they can.

We are also working with the Central Election Commission in a number of ways, which is another long-standing partnership of ours. Before the pandemic hit, we had made plans to strengthen the cyber security of the CEC in advance of the 2020 parliamentary elections. Around the world, it is becoming more and more evident that elections can be interfered with, and cyber security is key. We've provided our partners at CEC with a sizable amount of equipment designed to harden the electoral commission's data and cyber systems, so that the integrity of the electoral systems can be as high as

possible. The important thing is that work has not stopped, and CEC is dedicated to running the elections with as much integrity and fairness as possible. We are committed to supporting this cause.

Many of the initiatives that have come out in response to the crisis have been really Georgia-led. They're not American ideas transplanted into Georgia; they're coming from all over the country. Our goal is to give Georgian people the needed resources and tools to accomplish their ideas.

### WHERE DO YOU SEE GEORGIA 6 MONTHS FROM NOW?

Thus far, Georgia's government and people have handled the situation very well. We've been impressed with the steps that the government and the public health system have taken. We've been impressed not only by their handling of the crisis but also by their effective communication with people. That's a testimony first and foremost to Georgian capacity, but it is also somehow reflective of the tremendous investments that Georgia's friends from abroad have dedicated to support the country.

Six months from now, let's hope that the COVID-19 situation is controlled, that measures have been put in place for vigilance and monitoring to avoid possible second waves of the illness. I hope also that we're going to see elections that are handled responsibly and that are truly democratic.

Many people talk about the possible opportunities out of the crisis. There is a real opportunity for solidarity and unity as the country tries to cope with the challenge that none of us have encountered before. I've seen many examples from our work where people come together to provide support. I hope that Georgia will be able to do that also when it comes to the elections.

Transcribed by Elene Dzebisashvili



# The Ripple Effects of US-China Competition in the South Caucasus

OP-ED BY EMIL AVDALIANI

**A**mong the many unintended effects the coronavirus might have on world politics is the trend toward unifying American political and business elites against China. To be sure, the process was already in place well before the spread of the pandemic. It could even be argued that the process set in before the rise of Donald Trump, when under Barack Obama America was gradually shifting its geopolitical attention from the Middle East to China and South-East Asia. Both the Obama and Trump administrations contributed to this shift, but there was no conclusive accord within the American political elite on what kind of threat China posed to the US geopolitical interests.

Still, the US' deep economic interconnectedness with China has complicated reaching a policy consensus on China. In many ways, the coronavirus, though it hit the US more gravely than any other country in the world, is likely to serve as a defining moment for America's foreign policy in the 2020s-2030s. The US political elite will become not only more China-focused, but the competition with Beijing will become more pronounced. It is likely that major attempts from the US side will be made to produce a definitive approach for dealing with China. This will involve reinvigorating the US military presence among its allies across the Indo-Pacific region. India, Japan and



Image Source: 1TV.ge

South Korea will play a larger role in Washington's calculus.

The Indo-Pacific may well be a centerpiece of the US' foreign policy, but the ripple effects, if there is increased competition between the two powers, will be felt all across the globe. The South Caucasus, due to its location between

the eastern Europe and the Caspian-Central Asia regions, would likely be a piece in the US-China struggle. Naturally, the level of competition will not be as intensive as elsewhere: the relative poverty of the region, small resources as well as geographic location, would have a limiting effect. Nevertheless, China is

interested in the Black Sea and this is where the role of Georgia's location plays an important role.

Poti, Batumi and potentially the deep sea port in Anaklia draw Beijing's attention. This was seen in the visit of a large Chinese delegation mid-2019 amid the crisis surrounding the Anaklia port. The

business engagement in Anaklia could give the Chinese big opportunities like what the country has been doing in other regions of the world, in the construction of ports etc.

Additionally, a number of vital inter-regional projects traverse Georgian territory, which adds further weight to the country's location. For China, one of the geopolitical aims is to find short and safe land routes from Xinjiang (the westernmost region of modern China) to the European market. The Russian corridor is suitable and geographically effective as no seas and mountains are to be traversed. However, Beijing is interested in other routes too and the South Caucasus corridor is interesting as it is the shortest line from China to Europe. This is how the Baku-Tbilisi-Kars railway, unveiled in 2017 and connecting Azerbaijan through the Georgian territory with Turkey, gains Eurasian importance.

Thus, for the US, as differences with China grow, one of the imperatives in the South Caucasus region will be to block Beijing's geopolitical initiatives. This could involve larger disbursement of finances to uphold Georgia's economic and infrastructure development. Another way could be a powerful military component. Larger military drills between Georgian and the US/NATO. Technological support is also likely as Washington is keen to limit the spread of China's 5G. Georgia, and the South Caucasus overall, thus could find itself in the midst of the Eurasian techno-economic struggle unfolding between China and the US.

## What Will the World Order Be Post-COVID?

OP-ED BY VAKHTANG MAISAIA

**A**t this stage, the issue of what will happen after the Coronavirus pandemic and what impact this unknown phenomenon will have on the development of political processes at local (national), regional and global levels, becomes urgent. It is really important to predict and to model the development of such scenarios, and to some extent it is necessary to do so. We have to imagine that the geopolitics of this virus has already changed the overall lifestyle at all levels and the rhythm of each person's life. In this regard, four main features must be distinguished, within which we can talk about the effect of this influence. These include: 1) Political model; 2) Economic model; 3) Social model; and 4) Psychological model. Based on these four features, we can clarify the scenario at the local (state) level.

### IN GEORGIA.

**Political model:** It is expected that the situation will become complicated and some political forces will turn the political situation in favor of their own interests, given the post-pandemic conditions. This will be facilitated by the parliamentary elections and the attempt to artificially aggravate the situation.

**Economic model:** Of course, the post-pandemic period could be followed by a rather large economic recession and the creation of a currency corridor where GEL fluctuations will be inevitable and unemployment will rise, leading to the reforming of the economic system.

**Social model:** Under this component, the situation may become quite critical, if serious social reforms are not implemented, such as "shock therapy" measures in the field of social redistribution. The structure of the social market will change and the priority will be given to



Image source: jeffreygroup.com

more high-tech professions.

**Psychological model:** Here, we have a small "pandemic" of social psychosis and psychological disorder, which will be caused by the accumulation of hidden negative psychological discharge during the quarantine period and the need to erupt it on a large scale. Attention should be paid to the increase of the criminogenic situation and the creation of an aggressive environment over a short period of time.

### GLOBALLY.

**Political model:** The situation will have a significant impact on the conditions

of the world order and will create a tri-pole or tripolar order, where the main geopolitical influence center will be China, the United States and Russia. It is possible that certain types of disintegration processes in certain types of regions may develop and increase the threat of international terrorism. The importance of international organizations and the process of globalization may be temporarily weakened. Geopolitical relations between these three centers of influence will get strained.

**Economic model:** In the global economy of the post-pandemic scenario of "Great Depression" and the process of energy

security vulnerability will take place. It is possible that solid currency units may be weakened and at the same time, this may stimulate high-tech innovations and projects. The conditions of the "North-South" economic order may change and take a more geosocial orientation.

**Social model:** In this regard, the post-pandemic situation will go further in terms of nationalism and may take a civilizational phenomenon, which will be a novelty directly for reforming the parameters of ethnic and national identity. The phenomenon of global socialization may lead to a more integrated scenario at the expense of uniting dif-

ferent societies. Samuel Huntington's theory of a "clash of civilizations" may not be so chimerical and mythical.

**Psychological model:** In this model, interesting events may develop, starting with psychological neurosis at a global level and the same syndromes may develop in all countries; and then there will be even more social adaptation and the desire to unite within any specialized direction, such as environmental protection. There will be a growing trend of mystification and the spread of myths like "conspiracy theory", while the process of strengthening religious faith will be consolidated.



# THE ISET ECONOMIST

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The ISET Policy Institute (ISET-PI, [www.isetpi.ge](http://www.isetpi.ge)) is an independent think-tank associated with the International School of Economics at TSU (ISET). Our blog carries economic analysis of current events and policies in Georgia and the South Caucasus region ranging from agriculture, to economic growth, energy, labor markets and the nexus of economics, culture and religion. Thought-provoking and fun to read, our blog posts are written by international faculty teaching at ISET and recent graduates representing the new generation of Georgian, Azerbaijani and Armenian economists.

## It's Not Who You Trade with, It's Who You Produce with: Measuring Georgia's Integration into Global & Regional Value Chains

BY YASYA BABYCH, DAVIT KESHELAVA AND GIORGI MZHAVANADZE

**W**e live in a world where production of a single good typically involves manufacturing inputs from many different countries around the globe. For example, a typical iPhone production takes place in as many as 7 countries, including USA, Mongolia, Japan, Korea, Taiwan, China and even Switzerland. This is what is known to economists as global value chains (GVC). The emergence of GVC more than two decades ago transformed the way economists think about countries' comparative advantage and specialization in production. It has also transformed the understanding of what it takes for a country to be successfully integrated into world trade networks and derive maximum benefit from global trade.

In the past, a country's comparative advantage was understood in terms of specific products (e.g. according to the classic example of David Ricardo, Portugal would specialize in and export wine, while England would specialize in cloth). This old-school "wine-for-cloth" approach led many developing countries astray by shifting their focus towards import substitution and infant-industry protectionism. By protecting certain industries, countries hoped to one day develop the capacity for producing and exporting certain high value-added goods (e.g. Brazil tried, and failed, to develop its nascent computer industry by protectionist measures).

The emergence of GVC and fragmentation of production meant that the share of intermediate manufactured goods imports in total world imports was more than 50%, while 70% of services imports were intermediate services. Participation in GVC became of crucial importance not only for larger emerging markets but also for smaller developing economies. Researchers find that GVC participation benefits countries in several important ways: 1) more gains from trade tend to accrue to domestic capital and labor 2) exports become more sophisticated - this is known as "product upgrading" 3) export base becomes more diversified 4) countries enjoy greater access to international markets, knowledge spillovers and technology transfers. These benefits accrue not only to large firms but to small and medium enterprises, who can exploit their speed and flexibility to carve a niche in the global market.

### ARE DEVELOPING COUNTRIES READY TO REAP THE BENEFITS?

And yet, despite the obvious benefits, developing countries find it hard to integrate into global value chains. For them, the impediments to GVC participation are often linked to institutional factors: contract enforceability, strength of business environment, degree of property rights protection. These factors along with quality of the labor force and lack of infrastructure determine the degree to which these countries can participate and benefit from GVC. In order to understand these issues, the first step is to measure precisely to what extent are countries integrated into global value



chains, where lie the weaknesses and what can be done about it.

Recently our research team has completed a study of global and regional value chain participation for countries in the CAREC region, including Georgia.

Our main objective was to show how integrated are CAREC countries into each other's value chain production process (i.e. regional value chain integration); how much they are plugged into global value chains, and how these patterns changed over time.

For this, we calculated a global and regional value chain participation index (RVC/GVC Index) for each of the CAREC countries, including Georgia. The value of the Index is the sum of domestic and foreign value-added shares in a particular country's exports. For example, an Index value of 40% would mean that 40 percent of the country's gross exports is comprised of either goods imported from other countries, or of intermediate goods that were produced domestically and later became part of trading partner's exports. Overall, the higher the value of the Index, the greater the intensity of involvement of a particular country in global or regional value chains.

We took index measurements at three crucial time junctures: 2006 (before the global financial crisis of 2008); 2012 (the year after the global financial crisis but before the oil price collapse and regional currency crisis in the ECA region countries); 2015 (the year of regional growth and demand slow down driven by low oil prices, political instability in parts of the region, trade wars between US and China and the move towards higher protectionism on the global scale).

### FINDING: GEORGIA AND OTHER CAREC COUNTRIES ARE NOT WELL-INTEGRATE WITH EACH OTHER OR WITH THE WORLD.

One clear finding emerging from our study is that CAREC countries are not

well integrated into each other's production processes. The countries which are most integrated into the CAREC regional value chain are Mongolia and Kyrgyzstan (18.9% and 15.2% RVC participation index respectively), followed by Pakistan and Tajikistan (8.8% and 6%) in 2015. What is also notable is that CAREC countries are not integrated enough into GVC, given their size. The average GVC participation index for CAREC countries is 40.1% in 2015. Georgia, for example, has GVC index of 40%, while OECD countries with similar relatively small populations (e.g. Lithuania, Latvia, Estonia, Finland, Norway), all have GVC index over 50% according to 2009 data.

At the same time, it is evident that the GVC and RVC participation indexes of CAREC countries are dynamic, which may reflect the changing economic landscape. For example, CAREC-RVC participation has been increasing for nearly all CAREC countries from 2006 to 2012, but then in 2015 there has been a retreat both in RVC and GVC participation. The pattern between 2006 and 2012 can be explained in part by the global financial crisis effects. The crisis likely forced many countries to look for fresh opportunities in their own neighborhood rather than rely mostly on global trade networks. In 2015, however, both RVC and GVC participation was on decline in nearly all countries. This can be explained by the global growth slowdown and regional economic and currency crisis affecting both oil-exporting and oil-importing groups of countries.

Georgia presents an interesting case study among CAREC countries, because in some ways it illustrates important tendencies in the region. For example, our study shows that Russia (Georgia's largest neighboring economy) is also a top VC partner country for Georgia, although it is not the topmost country in terms of total volume of trade (in 2015 the top trade partner country for Georgia, based on gross trade flows was Turkey). It is also notable that Georgia's VC

linkages with Russia were not only resilient, but expanding in the face of Russia's trade sanctions and restrictions against Georgia between 2006 and 2012.

Another interesting point is that with Turkey, another large and economically powerful neighbor, Georgia does not enjoy nearly as much integration as with EU countries like Germany and Italy. This can be explained by the fact that Turkey and Georgia are both integrated with EU countries through primary product exports (e.g. hazelnuts which are then exported to Italy for confectionary) and their natural resources and capacities are mostly related to substitutes rather than complements in production. Interestingly, among top 10 VC partner countries there is only one CAREC member - Azerbaijan. The rest are EU countries, USA, and larger neighboring countries like Turkey, Russia and Ukraine.

A closer look at the industry level reveals that Italy is even more important than Russia as a destination country for wholesale retail value-added trade (i.e. Italy is importing more Georgia's value-added and using it in exports than Russia in the wholesale retail trade industry), even though Russia is more important overall as a value-added destination country. Turkey and Azerbaijan also very prominent source countries for VC participation, especially what concerns wholesale products, land and water transportation services, etc.

### WHICH GEORGIAN INDUSTRIES HAVE THE HIGHEST POTENTIAL TO INTEGRATE INTO REGIONAL AND GLOBAL VALUE CHAINS?

The next step in our study was to use a diagnostic methodology to identify several industries with the highest potential for regional (CAREC) or global value chain integration. Among the industries we identified and conducted case studies for were Textiles and Apparel and the Wood and Paper industry. Below we outline key policy findings emerging

from the industry case studies.

We find that the Textiles and Apparel industry in Georgia is connected with the global value chains mainly through Turkey, which serves as a regional focal point for import and export of textiles. Georgia tends to import raw material (cotton, fabrics) mainly from Turkey (through Turkish-owned subsidiary companies established in Ajara region) and export the unfinished goods (apparel) for further processing to Turkey. Georgia's value added in this process tends to be very low. Many CAREC countries import textiles and apparel from Turkey as well. Therefore, there is clearly potential for Georgia to both move up in the value-chain to higher domestic value added, and in the same time strengthen value-chain linkages with those CAREC countries that are importing and exporting textile products.

Another case study of the Wood/Furniture value chain in Georgia reveals that regional CAREC value-chain linkages can be strengthened. Georgia and Azerbaijan, both CAREC countries, are strongly emerging as regional producers of furniture, with Georgia also serving as a source of raw material (wood). The position of both countries in the global and regional value chains can be strengthened as they work to expand their market share (without compromising natural resources) and create a higher domestic value added. This would require working out strategies for complementarity and cooperation rather than competing on the low value-added segments of the chain.

While there is still much work to be done in this direction, our research is the first important step towards creating a comprehensive mapping of the GVCs and RVCs for Georgia and for other countries in the CAREC regions. It could also be of interest to policy practitioners, as it presents the tools for identifying and analyzing industries that could benefit most from immediate policy intervention.



# Electricity Market Watch

BY MARIAM CHAKHVASHVILI

Sector research is one of the key directions of Galt & Taggart Research. We currently provide coverage of key sectors of Georgian economy. As part of our energy sector coverage, we produce a monthly Electricity Market Watch, adapted here for Georgia Today's readers. Previous reports on the sector can be found on Galt & Taggart's website - gtresearch.ge.

## ELECTRICITY CONSUMPTION AND GENERATION – FIRST QUARTER OF 2020

The Ministry of Economy expects the decrease in electricity consumption caused by Covid-19 to continue until Sep-20. Electricity consumption was down by 7.8% y/y in Mar-20 due to partial lockdown caused by the Covid-19 pandemic. The impact on electricity consumption will be sharper in April 2020, when full lockdown was in place. However, based on the updated annual forecast of the Ministry of Economy and Sustainable Development (adopted on April 24, 2020), the annual decrease in consumption in April is expected at 5.9%, less than actual growth figure for March. The same document forecasts negative growth of electricity consumption to continue until Sep-20, resulting in a 0.8% drop in annual electricity consumption in 2020 (to 12.7TWh).

Domestic consumption of electricity increased by 1.2% y/y and reached 3.4TWh in 1Q20. The growth is far below the expected 5% y/y growth, but higher than

the 0.6% y/y decrease of 1Q19. Electricity consumption was up 3.6% y/y and 8.3% y/y in January and February, respectively. The growth was mainly attributable to eligible consumers.

Electricity consumption was down by 7.8% y/y in March 2020, caused by the partial lockdown due to Covid-19. From the 2nd half of March, the lockdown affected cafes, restaurants, hotels, shopping malls, and places for public gathering. Importantly, electricity consumption of eligible consumers was unaffected by the Covid-19 lockdown as large industrial users continued their everyday operations.

Electricity consumption dynamics of certain consumer groups in 1Q20 are explained by legislative changes. Consumption by eligible consumers (also known as direct consumers) increased by 52.8% y/y, while the distribution of licensees' consumption was down 11.2% y/y in 1Q20. From the group of distribution licensees, Energo-Pro Georgia's consumption reduced the most (-17.2% y/y), as several of its subscribers were registered as direct consumers. In line with market deregulation, started in May 2018, all companies with average monthly consumption over 5GWh were mandatorily registered as direct consumers. As a result, the number of direct consumers increased from 2 to a total 15 companies. Moreover, their share in overall domestic consumption increased from 9.8% in 1Q18 to 19.4% in 1Q20.

78.7% of the demand on electricity was satisfied by local generation in 1Q20, the rest was imported from Russia and Azerbaijan. Thermal generation was down by 11.7% in 1Q20 from a very high base

in 1Q19 (+42.1% y/y). Wind generation (+9.2% y/y) accounted for a mere 0.7% of the total supply.

Generation from hydro power plants was down by 1.9% y/y and satisfied 46.4% of total demand in 1Q20. This decrease is attributable to unfavourable hydrological conditions, mostly affecting generation of January and February, down by 21.7% y/y and 12.9% y/y, respectively. After the start of the rainy season and snow melt, hydrogeneration was up by 30% y/y in Mar-20, but the growth was not enough to compensate the decline of 2M20.

Increased consumption in the Abkhazia region (+8.0% y/y) fully absorbed the generation of Enguri and Vardnili (-10.9% y/y) in 1Q20 and created a need for electricity imports from Russia through the Salkhino interconnection line.

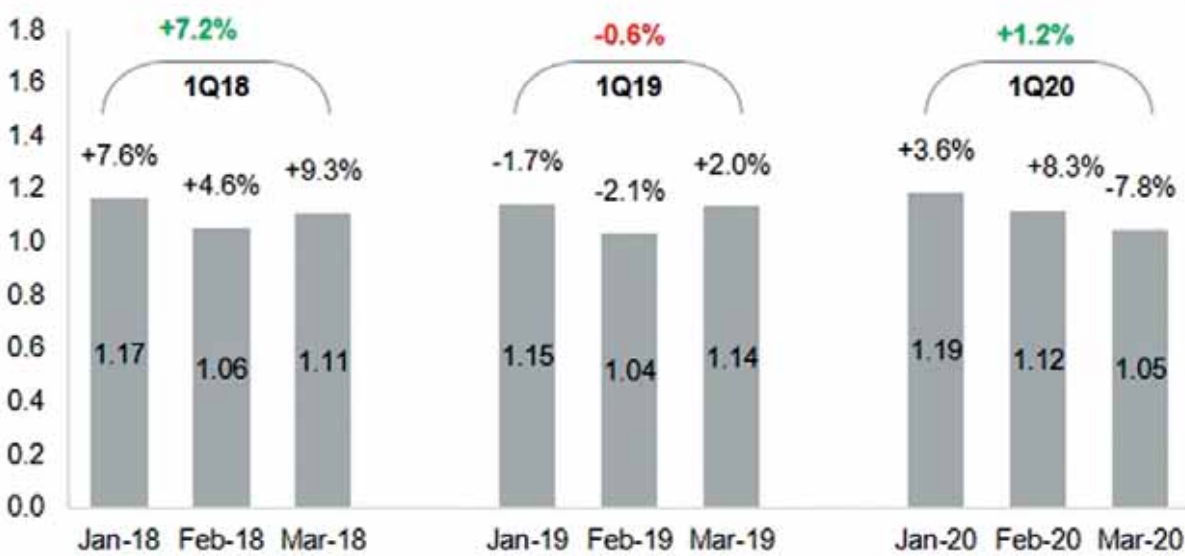
## IMPORT OF ELECTRICITY INCREASED BY 39.6% Y/Y AND ACCOUNTED FOR 21.3% OF TOTAL SUPPLY IN 1Q20.

54.1% of electricity was imported from Azerbaijan and the rest from Russia (45.9% of total). The most significant increase of imports took place in Feb-20 (+119% y/y), compared to 17.9% y/y and 4.3% y/y growth figures in Jan-20 and Mar-20, respectively. Notably, electricity imports for the Abkhazia region via the Salkhino line accounted c. 1/3 of total electricity imports and c.70% of imports from Russia.

## THE COST OF ELECTRICITY IMPORTS WAS UP BY 25.7% Y/Y AND REACHED US\$ 29.0MN IN 1Q20.

The difference between the growth rates

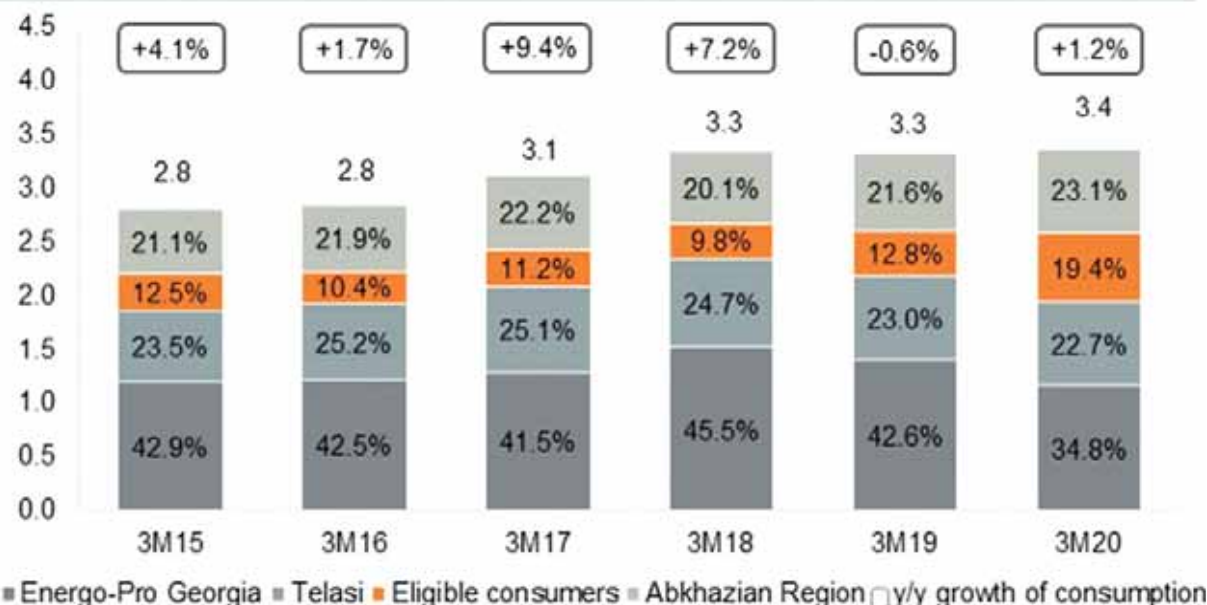
Figure 1: Domestic electricity consumption and annual growth rates, TWh



Source: ESCO

Note: Percentages on the graph represent y/y growth rates

Figure 2: Domestic electricity consumption, TWh



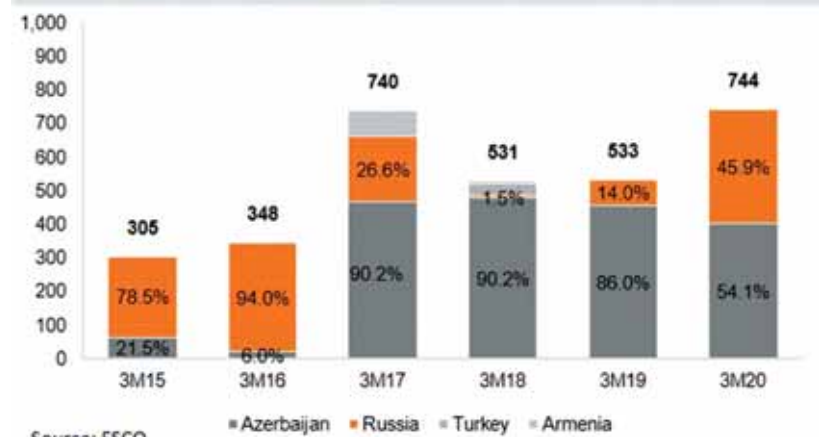
Source: ESCO

Figure 3: Electricity generation and imports, TWh



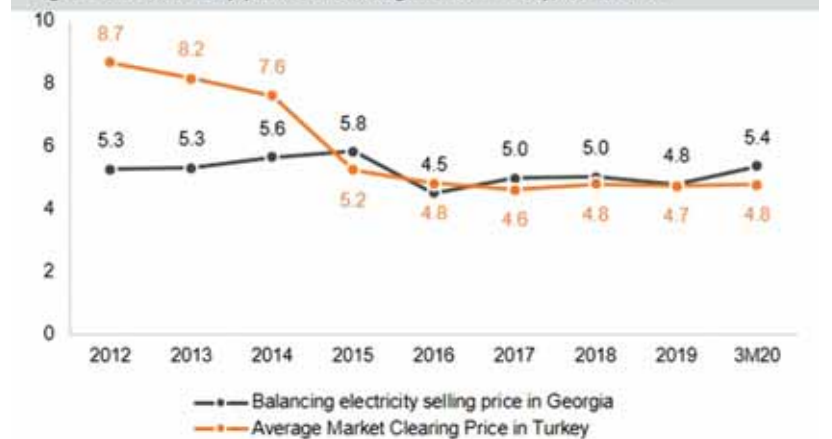
Source: ESCO

Figure 4: Electricity imports, TWh



Source: ESCO

Figure 5: Electricity prices in Georgia and Turkey, US\$/kWh



Source: ESCO, GeoStat, NBG, EPIAS

of imports volume and value is explained by comparatively low cost of electricity imports via the Salkhino line for the Abkhazia region. The same reason caused a reduction in the average import price from US\$ 4.3/kWh to US\$ 3.9/kWh (-10.0% y/y).

Balancing electricity price in Georgia was US\$ 5.4/kWh (+5.8% y/y) in 1Q20. A 25.9% of total electricity supplied to the grid was traded through the market operator (ESCO), with the rest traded through bilateral contracts. The balancing electricity price mostly derived from import price and guaranteed power purchase agreements (PPA) tariffs, accounting for 61.0% and 36.4% of total balancing electricity, respectively.

Turkish electricity prices averaged US\$ 4.8/kWh in 1Q20 (+0.8% y/y), 11% below the Georgian balancing electricity price.

## MARKET REFORMS ARE MOVING FORWARD

Policymakers are meeting their deadlines set by newly adopted energy law for market reforms. Government of Georgia has adopted concept design of electricity market; Georgian Energy and Water Regulatory Commission adopted licensing rules for Transmission System Operators and made changes into some legislative acts, including grid code.

## ACCORDING TO THE CONCEPT DESIGN OF THE ELECTRICITY MARKET:

Power trading on day-ahead, intraday, bilateral and balancing markets should

start by Jul-21. Before then, the trading will continue in form of bilateral agreements, as it is today. Power Exchange Company, established in Dec-19 as joint venture of ESCO and GSE, is working with Nord Pool Consulting on creation of trading platforms and supporting operational rules. They promise to launch the platforms first in July 2020, and after a year of testing, full-scale operations will begin.

A public service provider at the wholesale level (probably ESCO) will be in charge of price stability on the market and supply of electricity to the Abkhazia region. The public service provider is allowed to trade on power markets if needed, but the main mechanism they will use for price stability is a contract for differences, when they compensate the difference between regulated or promised price and market clearing price. This company will be the price stability guarantor for:

- Power plants with the power purchase agreements or any other support schemes offered by government in the future;
- Universal service providers (the companies supplying households and other end-users);
- Regulated power plants (e.g. Enguri)
- Guaranteed capacity providers (e.g. TPPs)

Balancing and ancillary services market will start operation in Jul-21. TSO will define the requirements and the list of service providers. Imbalance fees and settlement rules will also be established by then.



# Helios Energy - Business with the Idea of Freedom



BY NINI DAKHUNDARIDZE

The company Helios Georgia was founded in 2017 to employ the use of solar energy. The idea of its foundation is not like the typical beginnings of a company, coming more as a history of how a business can be built on the idea of freedom: allowing each citizen in Georgia to be energy independent, and in this way to reach a common energy independency in the country.

The company founder Tornike Darjanja

tells us that in 2017 he was one of the first to, because of a hobby and special interest in solar panels, set up a solar PV station and get it included in the net calculation system. Since then, he hasn't had to pay electricity bills, as his own station is enough to meet his energy needs. He later bought an electronic car and charges it at his own e-station. So he isn't a consumer of fuel products either.

This interesting story was a focus of interest for many media representatives in 2017, and many citizens liked the idea of being energy independent. It's not surprising that we all want to be energy-independent, have our own source of

energy and not be dependent on our state, and much less on any other country, since the country is suffering an energy deficit right now. Today, we have the possibility to produce "pure," ecologically clean energy thanks to modern technology, consume it, and if we are in surplus of this "product," sell it to the state. This is a type of breakthrough in our lives, a new world with amazing opportunities that gives us hope we'll never return to the "dark ages" of the 1990s, when we lived in an energy crisis. Most importantly, solar energy is inexhaustible: the sun gives more energy to the planet than is needed.

After Tornike, many came to love the idea of having their own source of energy, and that is where the idea of founding a company that gave everyone this possibility came from.

Ever since its establishment in 2017, the company Helios Georgia has undergone many stages of development. "It's really encouraging to be an inspiration for people to use a renewable, clean source of energy," the company founder tells us. With this aim at heart, the company continues to implement interesting educational and popularizing projects about solar energy, hosting meetings with different groups, adolescents (especially in the regions), and places educational videos on the company's YouTube channel.

In 2019, a Helios Energy Academy was founded where every interested indi-

vidual has the possibility to find out more about the solar energy. A basic course about renewable energy is available for everyone.

In 2018, Helios Georgia partnered up with a German company titled IMS Erneuerbare Energien GmbH, with the aim of heading bigger projects using German competencies. Also in 2018, a contract was signed with E-Space, a company working to develop a network of electronic automobile chargers. Helios Energy strives to develop the renewable energy field and market in Georgia, in joint force with partner companies.

Within the scope of partnership with the German company, Helios Georgia got to train its staff in Germany. The company's employees are also participating in building a solar energy station in Germany. So, we can safely say that Helios Energy is the only company in Georgia that follows European standards when installing solar e-stations. Plus, the company has employees with the highest competencies.

The company's data suggests that the demand for the solar e-stations are increasing by the year. For example, from 2018 to 2019, the demand for it multiplied five times. Helios Energy tries to, simultaneously with the rising demand, lower the price of the solar e-stations, all the while keeping the high standards of installation.

From founding to date, many interesting projects were implemented, but some of them are worth a special mention:

- A 120 kilowatt e-station, placed on the roofs of the Free and Agricultural University Tbilisi, serving as an energy source for the one of the biggest, if not the biggest, colleges in the country. Other

than that, the solar panels protect the roofs from over-heating. This station is the biggest in the country according to its strength, installed by a Georgian company.

- A 5 kilowatt station in Gori, fully supporting the energy level of an eco-friendly house where heating and cooling systems are completely dependent on e-energy. So, the owner doesn't pay the communal bills: natural gas has not even been installed in the house.

- Evex Clinic in Kareli, with a 64 kilowatt solar PV station, fully supplying the clinic with e-energy.

- Altihut, an alpine cabin located 3015 meters above sea level, has a 12 kilowatt hybrid solar PV station installed, supplying the cabin and the antenna, the antenna being the only source of communication for the tourists to connect to the outside world.

According to Helios Georgia, to reach full energy independency, it is crucial to solve three issues using renewable energies: 1. Electroenergy production 2. Heating and Cooling systems 3. Mobility, transportation.

Thanks to modern technologies, it is possible to supply the above three fields with the solar energy. In the first case, the solar e-station helps us produce ecologically clean and renewable energy, also useful for cooling and heating systems. E-mobiles are no longer a novelty, but are something we should implement more to make our mobility sustainable.

Helios Energy aims to make this technology maximally affordable and available, as it gives people and the whole country the opportunity to be less dependent on centralized energy sources and to reach partial or full energy freedom.



## SOCIETY

# Nikoloz Chkhetiani, Cartu Fund CEO, on the Mtatsminda Forest Restoration Project

Continued from page 2

The cedar, for example, has been shown to be incredibly resilient in the Georgian environment. They live over 100 years, are healthy, grow large, and are very beautiful. We aim for diversity but our focus is on the plants that are endemic to Georgia. This essentially guarantees their survival. Their size and age at planting will depend on the species and will be based on the specialists' recommendations.

### TELL US ABOUT THE INITIAL STAGES.

This is a long-term project that should last around four years. This deadline may be extended as necessary, and the budget may be increased if needed. Our goal is to begin the first wave of planting in autumn. Prior to that, we must remove the sick, damaged, and dead trees, and do so very carefully so that no diseased matter or pests are left behind to infect the remaining healthy trees.

If you look at the Mount, you can see entire swaths of dead vegetation, which indicates a monoculture of tree species; other areas, those with mixed species, have already evolved, meaning the removal of dead trees in those green zones will be barely noticeable. However, removing dead or diseased trees from those large areas will render a part of the Mount

decidedly bare for a period of time, much like a desert.

Next, we will have to install a special irrigation network, which will be a costly endeavor. Our climate doesn't allow us to plant this vegetation and walk away, so this is a highly important step.

The walkways, lit in hazardous areas and featuring safety barriers, will be set up in parallel with the planting activities. In fact, dirt tracks, which make for interesting walks, already exist there. You can walk from Bombora (Mtatsminda) Park to Turtle Lake within two hours. For those in the city, the thought of walking to Turtle Lake on foot in just two hours, or at all, is hard to imagine; this is a journey usually taken by car. But the paths do exist and there's no need to wait four years to enjoy them!

### WHAT ARE YOUR MAIN AIMS WITH THIS PROJECT?

This is a difficult project that consists of many diverse directions. Our ultimate goal is to stop the degradation of the vegetation. We're working with top specialists from all over the country to study not only the landscape and vegetation, but also the fauna that is living or can live there. We want to bring back species that we lost, such as the legendary pheasant [shot down in the 5th century by King Vakhtang Gorgasali, which led to the founding of Tbilisi as the capital city].



### WHO WILL BE RESPONSIBLE FOR MAINTAINING THE AREA?

Tbilisi City Hall will grant this area the status of Urban Forest and take over its management. That means that the privatization of land plots will be forbidden and the area will be preserved for future generations due to this status. There will be no chance to buy plots of land for private houses and holiday homes, nor will hotels or restaurants be built there: the location will only feature eco-friendly infrastructure: walkways, picnic areas, and such. We're aiming for a minimum of civilization and carefully designed infrastructure that does not affect the feeling of wilderness and pure nature.

City Hall took over the responsibility

of cleaning and maintaining the area, and they will be the ones to elaborate the relevant plan. Part of the project is to clean the area and remove the garbage that has accumulated there. At the moment, the location is in a bad state in terms of garbage.

Our intention is to involve students and schoolchildren at some stages in the future, when we start our on-site activities: they could assist with planting, or perhaps cleaning activities as well. We also have contacts in the universities of Tbilisi and there are many who would like to get involved. Ultimately, this is our city and we have to take care of it!

We will maintain transparency and provide the public with information every step of the way.

### ARE YOU PREPARED FOR CRITICISM?

People often expect immediate success. But we must understand this is a long term project, and results cannot be seen in weeks, months, or even years. It will be tangible only after a long period of time.

A tree cannot grow in a week: that should be clear to everyone. And yet, criticism is often politically motivated, unfair, and aimed at finding a fault with everything we do. Naturally, this is unpleasant for us. But we have not taken this project on for the sake of popularity: everyone agrees that this [the restoration of Mtatsminda] is something that needs to be done. This comes from the goodwill of the foundation, not the state budget. We'll do our job and time will judge our success.



# If You Can't Convince Them, Confuse Them

BLOG BY TONY HANMER

**S**o said Harry S. Truman, 33rd president of the USA. I went googling for famous quotations about the word “confusion” to headline my weekly article. Most of the ones I found seemed to regard confusion as a positive thing: that injecting it or displaying it would help bring stability or demonstrate honesty. But this quote was just what I was looking for: it said what I was after, and was short enough also to put up top. (Note to Ed.: I chose 2 periods rather than 0, 1 or 3, just to emphasize the, well, you know, the confusion).

In My Humble Opinion, confusion, the bad kind which leads to messiness and chaos, and potentially fatal, escalating misunderstanding, is one of the defining characteristics of our age or moment. I see it or its more useful cousins in many spheres; areas as disparate as mathematics (surely not! Non-Euclidean geometries, anyone? Some Gödel on the side?) and physics (Heisenberg) to ethics, philosophy, religion (of course) and more. Fake news in all its varieties, from single tweets to hours-long documentaries, is one of the most troubling to me. Seems the more information we have access to, the less sure we are of almost everything.

Try to ban an absolute for anything, though, and I'll simply reply, “Absolutely?” like I did in my last week's article. I can't live without absolutes, and nor do I think can anyone, really, deep down, no matter how relativistic they claim to be. Not when you push them to the wall.

All this is prompted by the initial interview with a suddenly famous “persecuted expert” which forms part of a whole, well-produced documentary about how The Virus is a plot: not by the Chinese, but by the Americans, all for \$\$\$, of course. My sense of skepticism, growing these last few years, kicked in. I googled both the online show on which she was featured (fake news) and then her Wikipedia entry, and realized that here was something dangerous but so well packaged that it's going viral, as people repost it and ask each other what they think, but which has also quickly been banned by both Facebook and YouTube. Fortunately, there have been a number of excellent articles contra, not only to serve as debunking sources but also giving ideas about how to respond when one's friends ask for advice or claim that the thing is legit.

I could say nothing, or wait it out, “falling back on my faith” as I mentioned a week ago... but then I'd feel guilty of being a passive bystander when something bad is being done, instead of jumping in, even when it might well be costly. (I won't

throw my life away, but I can give it away if I feel the need and utility, if push comes to ultimate shove!) When someone I really care about gets fooled and does what they think is right, re-posting false information which could have disastrous consequences for untold numbers of people, should I not respond? Even if I expect my efforts to be utterly wasted and, possibly, UnFriending of me to result? Better to have tried and failed than not to have tried at all, right? I do believe so.

Well, why couldn't all the debunking articles themselves be fake news, and the new documentary the truth?! Indeed! Am I allowed to say I went with my gut feeling, my instincts or intuitions, all those “cold fuzzies,” to coin a phrase, and chose what to believe? The evidence is certainly most impressively stacked against her, I'll say that. Hey, out of X statements contradicting each other, there are only two possibilities in a rational world. Either they're all false, or only one of them is true. I really believe this.

The thing was slickly enough put together that it indeed resembles the documentaries it imitates. Who would spend so much obvious talent to make something fake? And WHY? Some people just love anarchy, or do they actually believe what they're trying to spread? There are also enough points of contention that simply to track down and cor-



rect all those errant peskies would take... more time and energy than most of us are willing to commit. But we can read what others have already worked hard to gather and present; that's what mass media is for.

The last victim of deception is... itself, believing its own lies. This, I believe is at the heart of real evil. A deep philosophical question, certainly debatable. The floor is open.

Tony Hanmer has lived in Georgia since 1999, in Svaneti since 2007, and been a weekly writer and photographer for GT since early 2011. He runs the “Svaneti Renaissance” Facebook group, now with nearly 2000 members, at [www.facebook.com/groups/SvanetiRenaissance/](http://www.facebook.com/groups/SvanetiRenaissance/)

He and his wife also run their own guest house in Etseri: [www.facebook.com/hanmer.house.svaneti](http://www.facebook.com/hanmer.house.svaneti)



## Updates from the IELTS Team

**S**taying at home is a new reality for many of us and we've all got to make the best out of the current situation.

IELTS preparation webinars will be conducted by IELTS experts over the next nine weeks, twice a week. Each webinar will last for approximately 60 minutes and will help you find out what to expect during the test. It will also help answer frequently asked questions about each section of the test: Listening, Reading, Writing and Speaking.

### SPECIAL UPDATES

Face-to-face IELTS tests have been suspended in many countries due to Covid-19. To keep your language journey on track, we are introducing IELTS Indicator, an online English language test.

The British Council team is working from home to allow social distancing and so cannot be reached at their usual phone number. You can reach them by email or Facebook Messenger instead.

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The British Council is the United Kingdom's international organization for cultural relations and educational opportunities.

## Georgian Presidency of CoE Promotes Child-friendly Restorative Justice

**E**very year, thousands of children across Council of Europe member states are involved in judicial proceedings. Whether a victim of crime or in conflict with the law, they are often vulnerable and in need of protection: in other words, they need justice systems to be “child-friendly”.

Promoting child-friendly restorative justice and exchanging best practices in this area has been one of the priorities of the Georgian Presidency of the Council of Europe.

This week, the Council of Europe published a set of statements and resources on restorative justice and participation of children in judicial proceedings that were meant to be presented at a high-level conference in Strasbourg cancelled due to the COVID 19 health crisis in Europe.

The crisis and particularly the introduction of broad confinement measures in an effort to save lives were mentioned by Council of Europe Secretary General Marija Pejcinovic Buric in her welcome message. “However, confinement can leave children locked in with their abusers, with little opportunity to raise the alarm”, she warned. “These children must have a place to go with access to professionals who can help them to piece their lives back together”.

The difficulties in accessing justice is not something new, Secretary General Buric underlined. “Victims may experience fear, shame and feel that they are among the least likely groups to be heard or have their views taken into account during judicial processes,” she stated. “Our justice systems must help them to overcome the trauma, not compound it.”



In her statement, Thea Tsulukiani, Vice Prime Minister and Minister of Justice of Georgia, presented the Georgian national experience with restorative justice for children in conflict with law since the launch of reforms several years ago. “Breaking away with the zero-tolerance in the juvenile justice system highlighting criminal sanctions and massive use of detention rather than non-custodial alternatives, prevalent in Georgia before 2012, was the single biggest challenge that we encountered.”

The Juvenile Justice Code adopted in 2015 introduced an entirely new philosophy for children in conflict with the law, where non-custodial measures were made a default and criminal sanction the exception, the Minister said.

“We are making maximum use of diversion and mediation for children and young people under the Code, whereby juveniles are dealt with without resorting to judicial proceedings or trial with human rights and legal safeguards respected,” she stated. “It is an encouragement offered to young people in conflict with the law to return to a law-abiding life without punishment or conviction, in exchange for voluntary participation in the programs tailored to

their needs, with the involvement of an independent and neutral person, a mediator,” the Minister explained, stressing that as of 2019, only 9% of juveniles previously involved in diversion/mediation programs committed crime again.

The creation of a Child Referral Mechanism and Referral Center for juveniles in January 2020, and the introduction of “micro prisons” (family-type establishments), with the first two to be operational by the end of 2021, are examples of the holistic approach to child-friendly justice, Minister Tsulukiani said.

All the documents and statements, including those by Linos-Alexandre Sicilianos, President of the European Court of Human Rights, by Irakli Shatadze, General Prosecutor of Georgia, Stefan Schennach, member of the Committee on Social Affairs, Health and Sustainable Development of the Parliamentary Assembly of the Council of Europe, Maria-Andriani Kostopoulou, Chair of the Steering Committee for the Rights of the Child of the Council of Europe and Drahoslav Štefanek, Special Representative of the Secretary General of the Council of Europe on Migration and Refugees, can be found on the dedicated page.



# "Corona Days" Artworks of Young Georgian Artists: Mariam Akhobadze



"The unity of people, transferring from a personal space to a shared one; a space that makes a person feel not so alone anymore and represses him, at the same time," – the picture in the artist's own words.

BY NINI DAKHUNDARIDZE

Continuing its collaboration with BI Auction, GEORGIA TODAY presents artists participating in the online exhibition 'Artworks @ Corona Days.' In this issue, we meet Mariam Akhobadze, a young Georgian artist with an outstanding vision.

After graduating from high school, Mariam was accepted into the Painting School of the Tbilisi State Academy of Arts. Finding herself in visual arts, she got her Master's in Painting in 2014 from the same college.

"Since then, I've been working actively in my studio," Mariam tells us. It's evident that she has been finding the lockdown pretty productive, too: she has so far entered five of her works into the BI Auction-organized online exhibition. All her pieces are works created with an interesting perspective, while the genre is in the neighborhood of Impressionism: no distinct figures; thick brush strokes; the paintings carry in themselves an indescribable, chilling loneliness. The red dog, empty urban streets, faceless characters... It's easy to attribute Mariam's works to the global pandemic anxiety, but the artist herself has a different perspective:

"My works do not describe the situa-



"People's spiritual and cultural heritage is the basis of our ritual unity. That heritage is also the basis of transferring from individual existence to co-habitual existence."



"A situation which is not dependent on a person. A situation of being imprisoned in the depths of an urban jungle, and the way out is not up to the object," – the picture in the artist's own words.

tion literally, they are just expressions of emotions that are usual attributes to extreme situations," says the young artist.

Curious to find out more about the painter's vision, we asked her how the situation created due to the pandemic had influenced her creative process. "The situation has formed many questions, questions that wouldn't have been asked otherwise," she answered. What questions? We'll let the paintings answer.

When we asked the artist about the future of art in the post-pandemic world, she dismissed the very idea of essential change. "I personally don't see the difference between the two worlds of art in the post-pandemic or pre-pandemic reality." Maybe she is right; maybe our current emotions are experienced each time we find ourselves in an extreme situation. The only real difference then, would be that these feelings are now commonly experienced by almost all

members of society. Not incidentally, that lonely unity is one of Mariam's themes in her Corona Days artworks.



About BI Auction 'for ART': BI Auction is the first Art Auction Company of Georgia, established in 2016. The company's aim is to promote Georgian art and artists and enlarge the market. In four years, BI Auction 'for ART' has organized seven auctions and presented more than 400 paintings from 120 Georgian painters. In every auction, the collection is selected from among a thousand paintings from the well-known legendary artists of Georgia and also from promising young artists. For more information, please contact [biauction1@gmail.com](mailto:biauction1@gmail.com)



"Existing in a blurred reality."



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