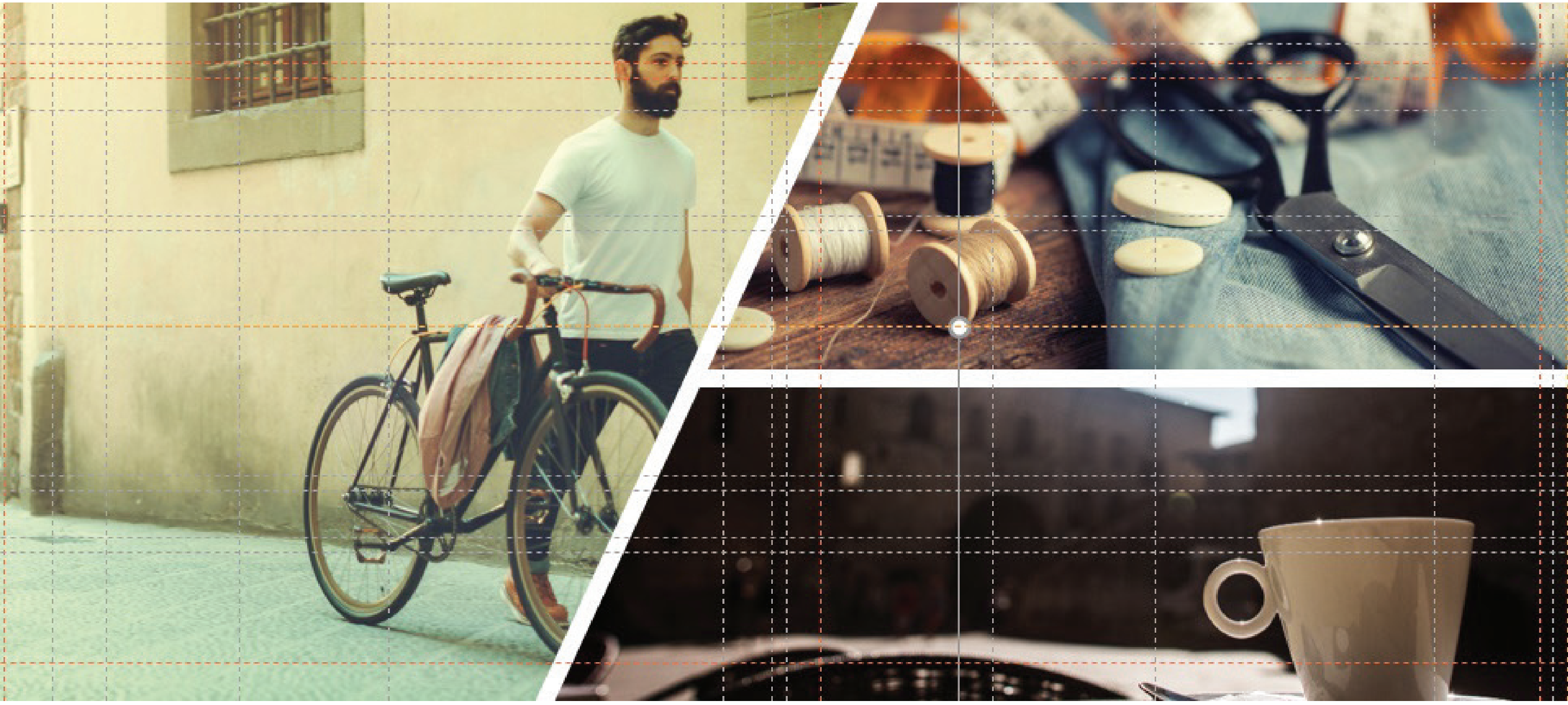
ENGLISH ISSUE - JANUARY 2021

Forbes
GEORGIA

LIFE WITHOUT LIMITS

GURAM GVASALIA
ON FAITH, FAMILY AND RUNNING FOR PRESIDENT



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THE YEAR IN REVIEW: 2020 *in* 10 VISUALIZATIONS

Can you remember a year more life-changing than 2020?

Over a million lives were lost in the pandemic, oil prices turned negative, and protests swept the streets. At the same time, 10 years of technology advancements seemed to happen in mere months—and now vaccinations are rolling out at a record speed.

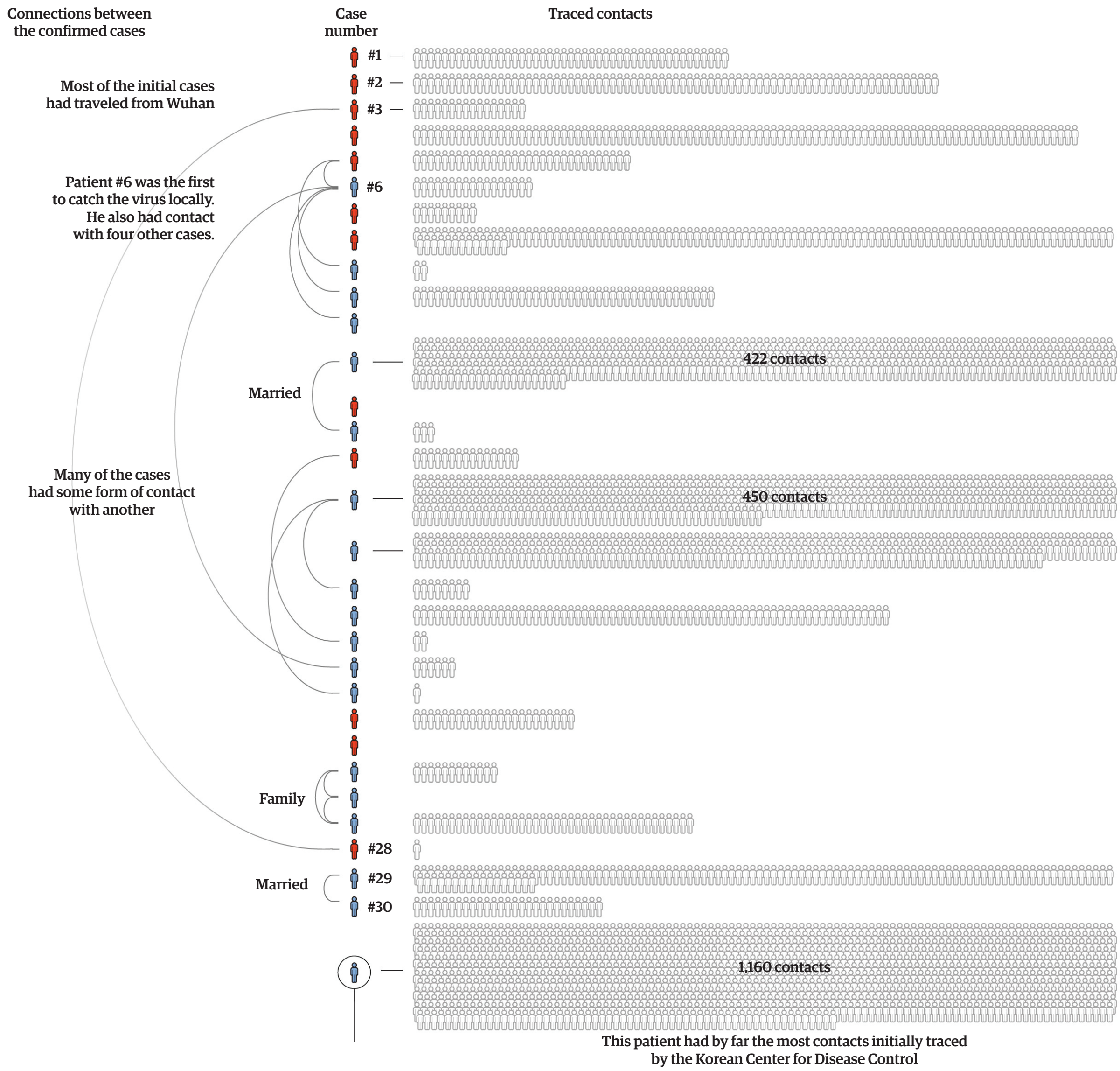
Below, we round up some of the year's biggest news events with charts and visualizations.

#1. The Spread of the "Novel Coronavirus"

You've heard of Patient Zero, but what about Patient 31?

Before February, cases of the still unnamed virus were largely contained within China, with the rest of the world cautiously observing the country's containment efforts. Slowly, but surely, the virus began to spread beyond China's borders.

South Korea's 31st confirmed COVID-19 case–which was behind the rapid spread of the virus to potentially up to 1,160 contacts in the country–served as a warning to the rest of the world of how fast the virus could spread.



Patient 31

It's not clear where Patient 31 became infected with the virus, but in the days before her diagnosis, she travelled to crowded spots in Daegu, as well as in the capital Seoul. On February 6 she was in a minor traffic accident in Daegu, and checked herself into an Oriental medicine hospital. While at that hospital, she attended services at the Daegu branch of the Shincheonji Church of Jesus, on February 9 and again on February 16.

In between those visits, on February 15, doctors at the hospital said they first suggested she be tested for the coronavirus, as she had a high fever. Instead, the woman went to a buffet lunch with a friend at a hotel. In an interview with local newspaper JoongAng Ilbo, the woman denied that doctors had advised her to be tested. As her symptoms worsened, however, doctors say they once again advised her to be tested. On February 17, she finally went to another hospital for the test. The next day, health authorities announced she was the country's 31st confirmed case. In only a matter of days, those numbers had soared as hundreds of people at the Shincheonji Church and surrounding areas tested positive.

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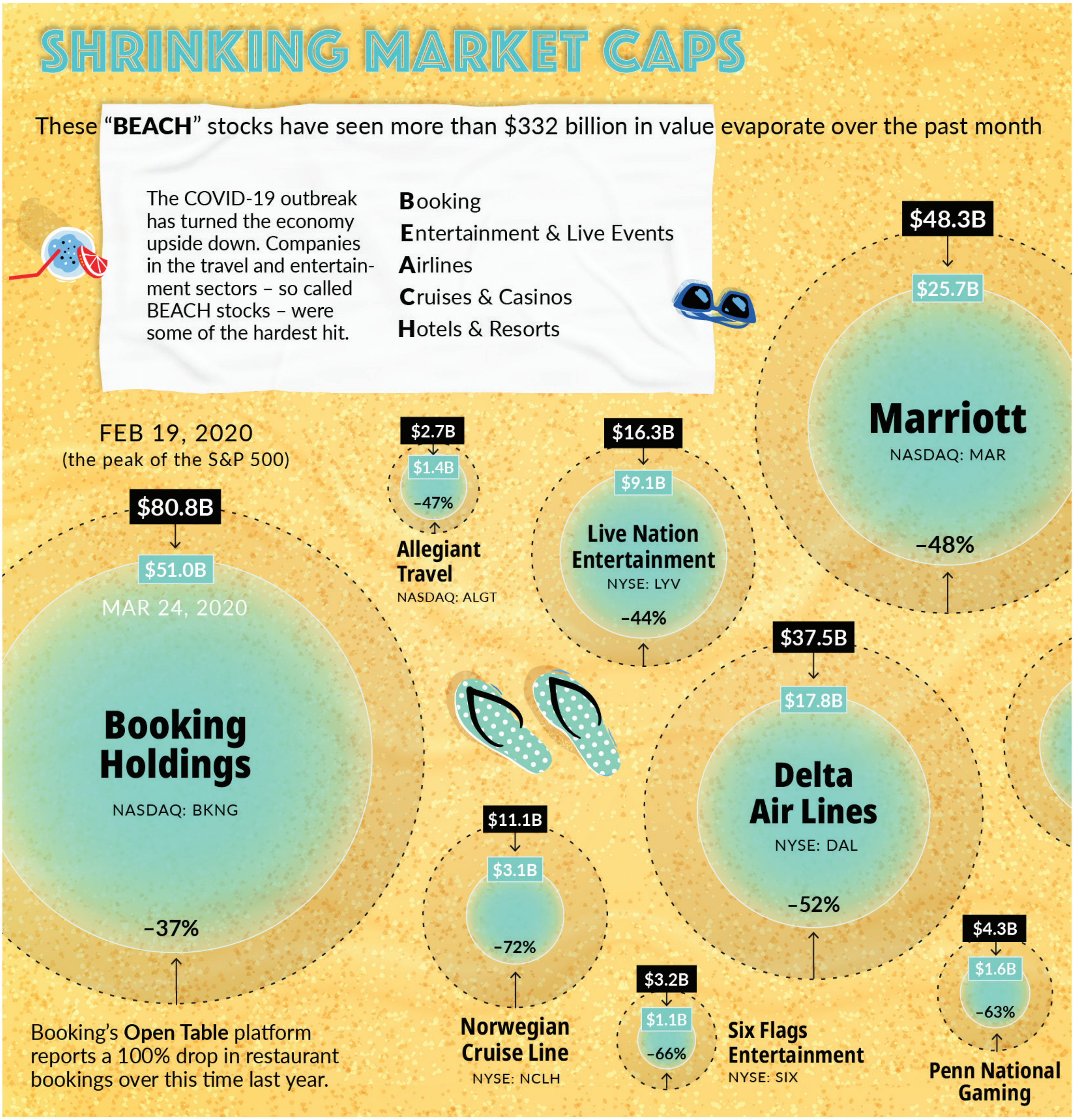
#2. The Coronavirus Crash

The S&P 500 erased over a third of its value in under a month—the fastest 30% decline ever recorded on the benchmark index. As a result, the global tourism industry suffered dramatic losses, with countless cruise ships docked and passenger flights traveling at half-capacity.

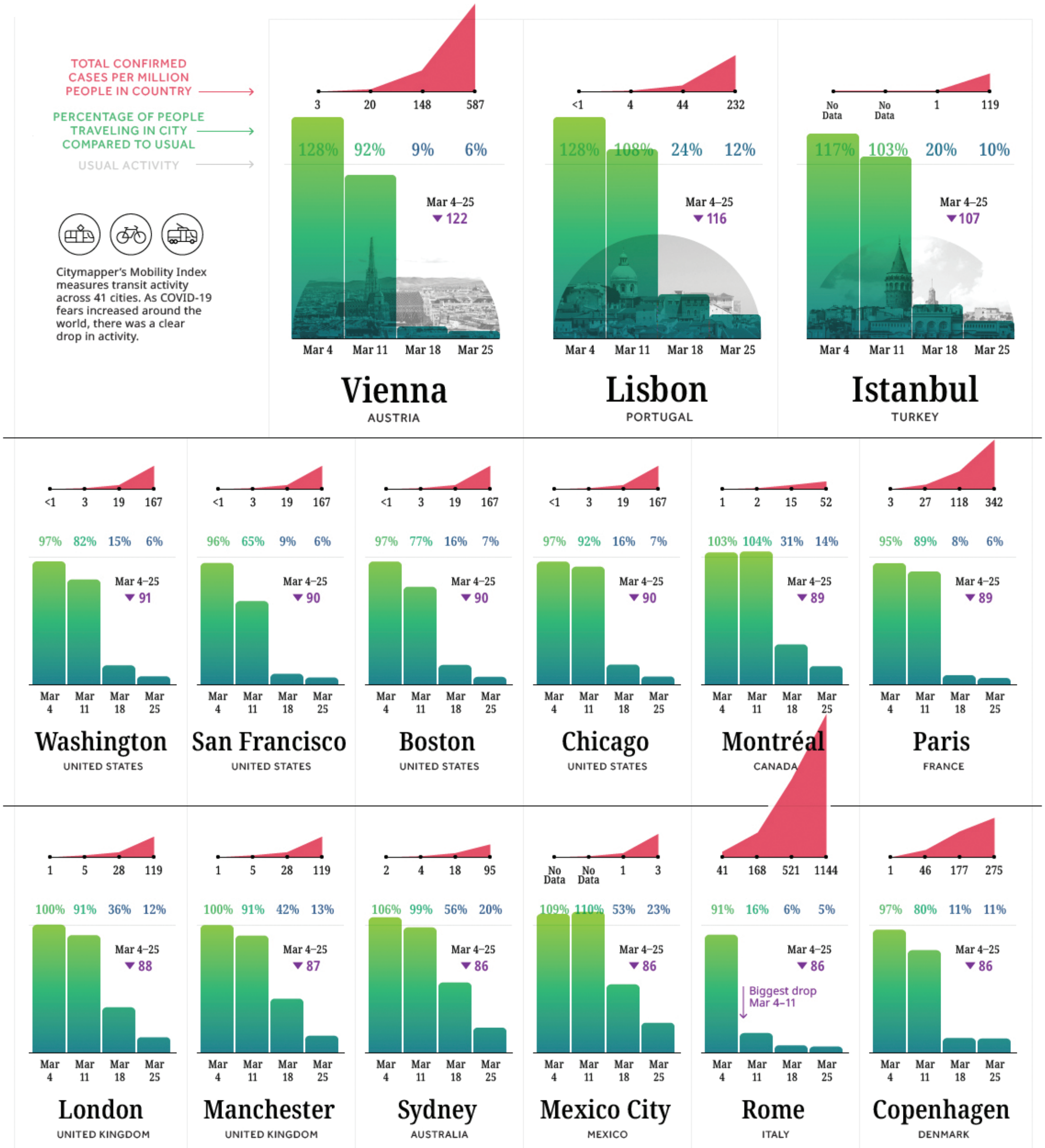


#3. Lockdown Life Begins

From toilet paper hoarding to limits on gatherings, the pandemic's immediate effects on our surrounding environment became clear as early as March. As daily life came to a standstill, commuter activity in major cities plummeted throughout the month.

One unintended positive consequence of these shutdowns? Air pollution, such as nitrogen dioxide (NO_2) emissions also steeply dropped alongside these restrictions on movement.

Possibly the most well-known diagram of the pandemic is the one that introduced the world to the phrase "flatten the curve", showing why it was important to prevent and delay the spread of the virus so that large portions of the population aren't sick at the same time.



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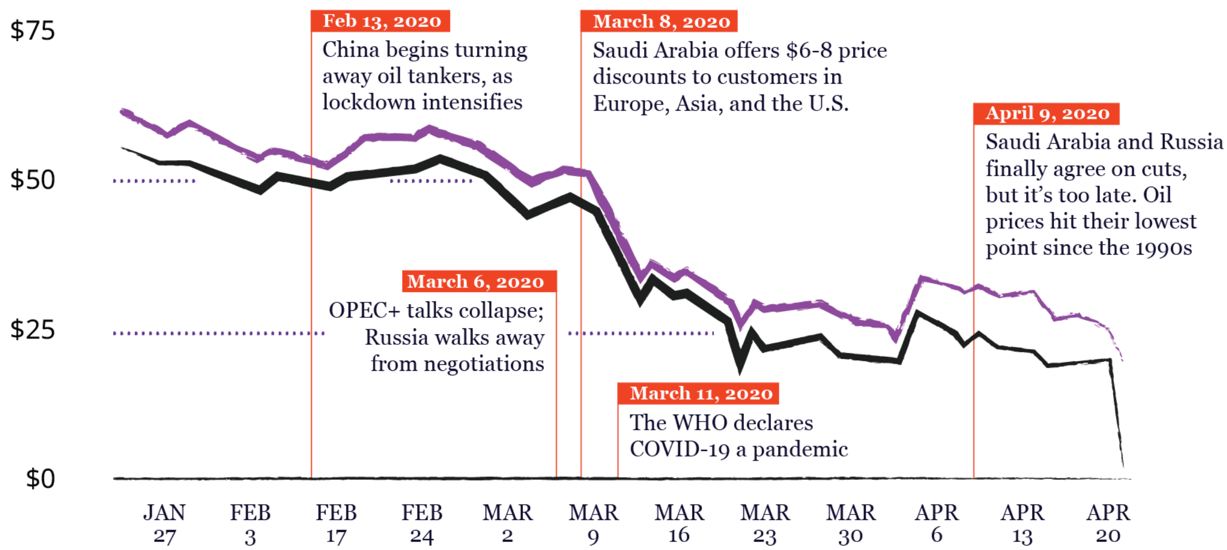
#4. Oil Prices Go Negative

In another historic event, oil prices went negative for the first time in history. Futures contracts for WTI oil fell to a stunning -$37.63 on April 20th, with producers actually paying traders to take oil off their hands.

Oil has since recovered from this shock, cruising back to more typical price levels.

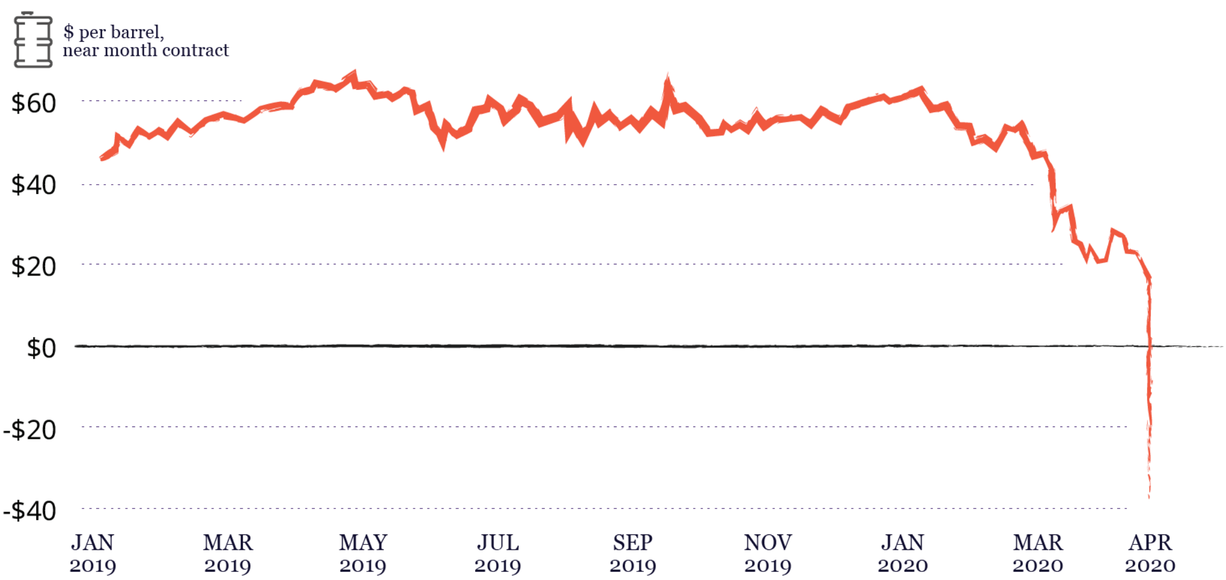
Failing Fundamentals

The dual shocks of falling demand and a price war disrupted prices



Going Below Zero

With the world in lockdown and oil supply glutting, near-term oil futures contracts became a "hot potato".



#5. The World Works from Home

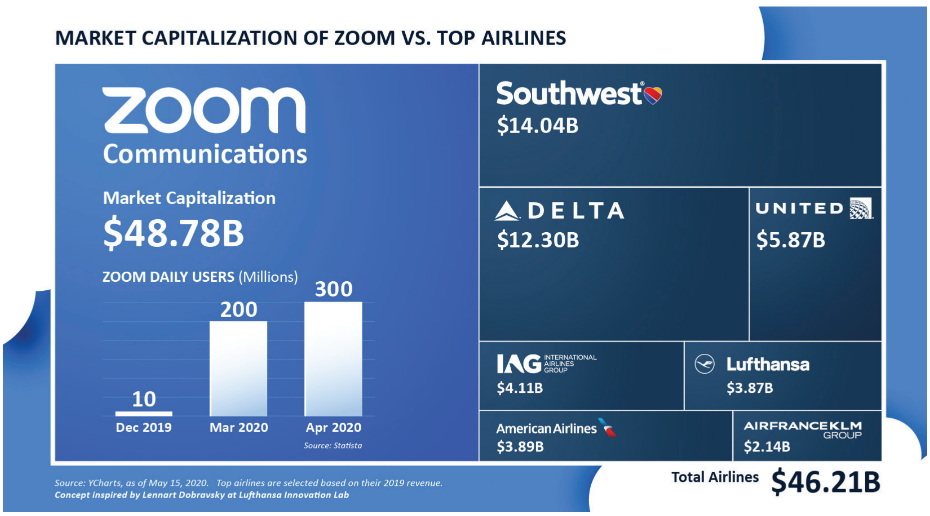
The dramatic shift to staying at home has resulted in a much higher reliance on technology for many people. Nowhere were these trends exemplified more than the rise of video conferencing software Zoom—the platform was used for work, education, and socializing alike.

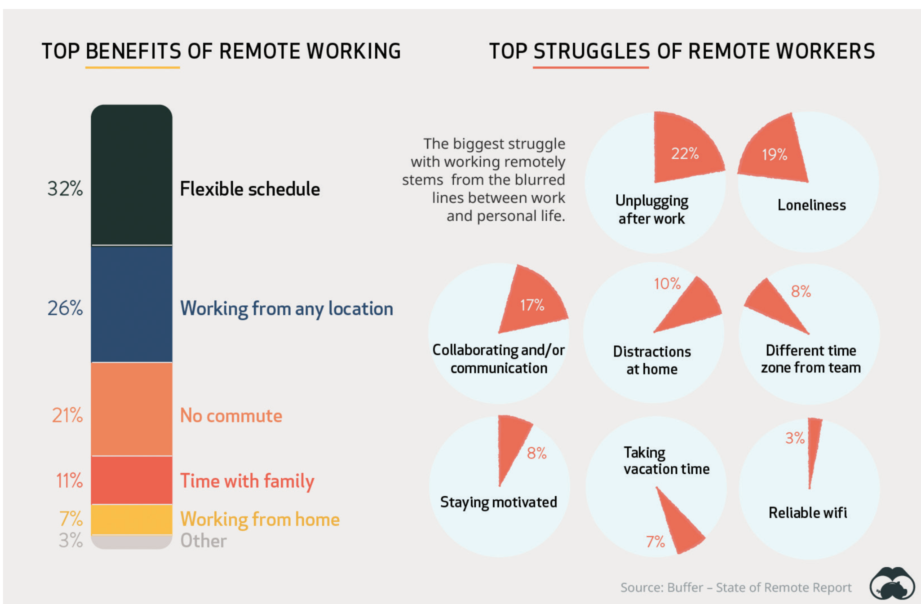
As monthly users swelled, those who typically take to the skies also declined in a steep fashion. In this graphic from May, we noted that Zoom's market capitalization had skyrocketed to eclipse the top seven airlines by revenue, combined.

As remote work became the new normal for significant shares of the workforce, unique benefits of this adjusted lifestyle arose, but it didn't come without its challenges.

Perhaps the most significant lasting change from the COVID-19 pandemic might be the adoption of flexible work, even by firms that resisted the trend in the past.

If many employees continue to work remotely, even part of the time, then that will have a big impact on everything from the commercial office market to the bottom line of SaaS companies that help facilitate remote collaboration among teams.





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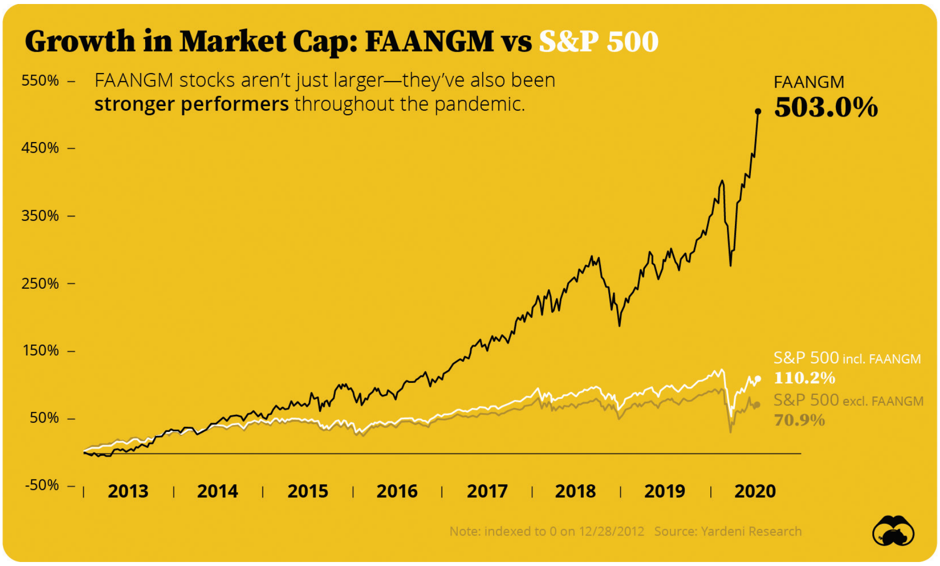
#6. Big Tech's Dominance

In many ways, COVID-19 only accentuated differences in market share, earnings, and wealth.

For one, Big Tech's market cap share of the S&P 500 soared. In the seven years preceding July, the market cap of the six stocks–Facebook, Apple, Amazon, Netflix, Alphabet, and Microsoft–grew over 500%. By contrast, the S&P 500 rose just 110%.

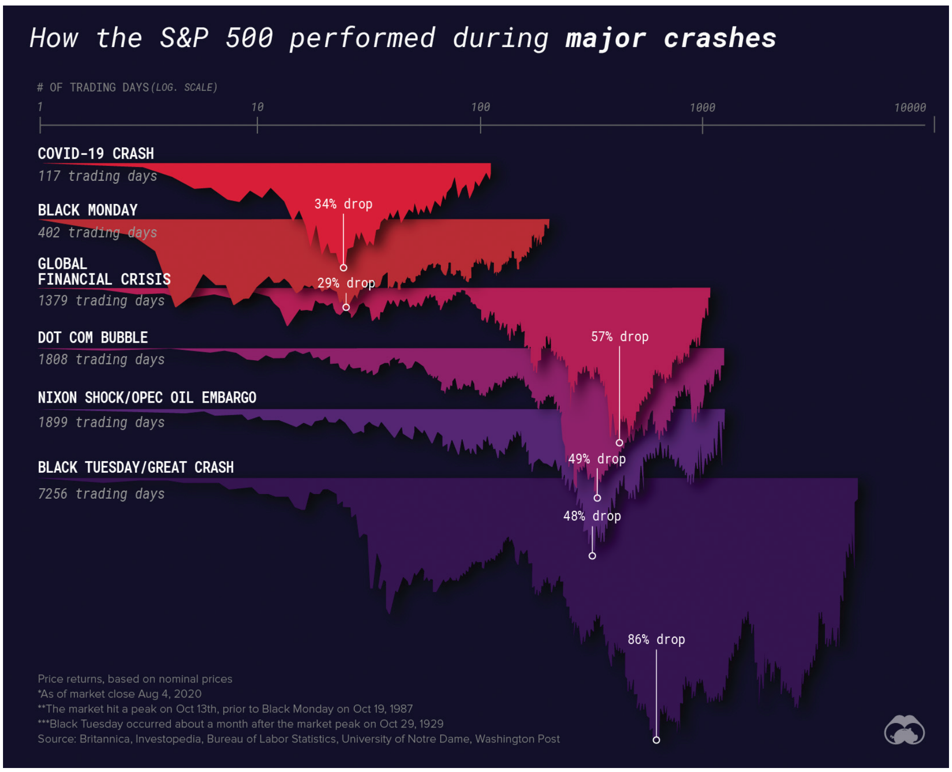
At the same time, Big Tech's concentration reached record levels, with the five largest companies accounting for over 20% of the index's total value.



#7. Shortest Bear Market in History Ends

In a stunning reversal, the bear market of 2020 ended on August 18 when the S&P 500 exceeded previous February highs. As trillions of dollars in stimulus response got injected into global economies, markets recovered in record time.

Just two weeks before the shortest bear market in history ended, we published a graphic comparing previous stock crashes–from 1987's Black Monday to the Nixon Shock of 1973–exposing the duration and intensity of market downturns since 1929.

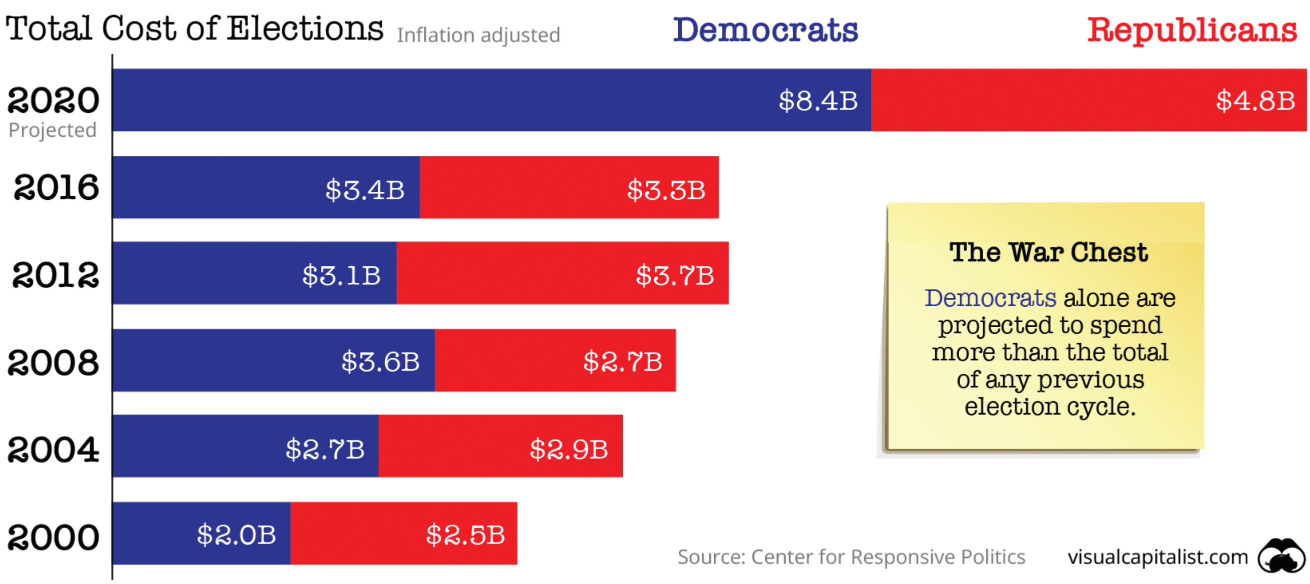


#8. The 2020 U.S. Presidential Election

In 2020, U.S. election spending hit over $13 billion, more than twice the amount spent on the entire 2016 election.

Of this total, congressional spending topped $7 billion, with Democrats spending 64% more than Republican candidates for the House and Senate.

President Biden was the first candidate ever to raise $1 billion, while Trump raised $596 million.

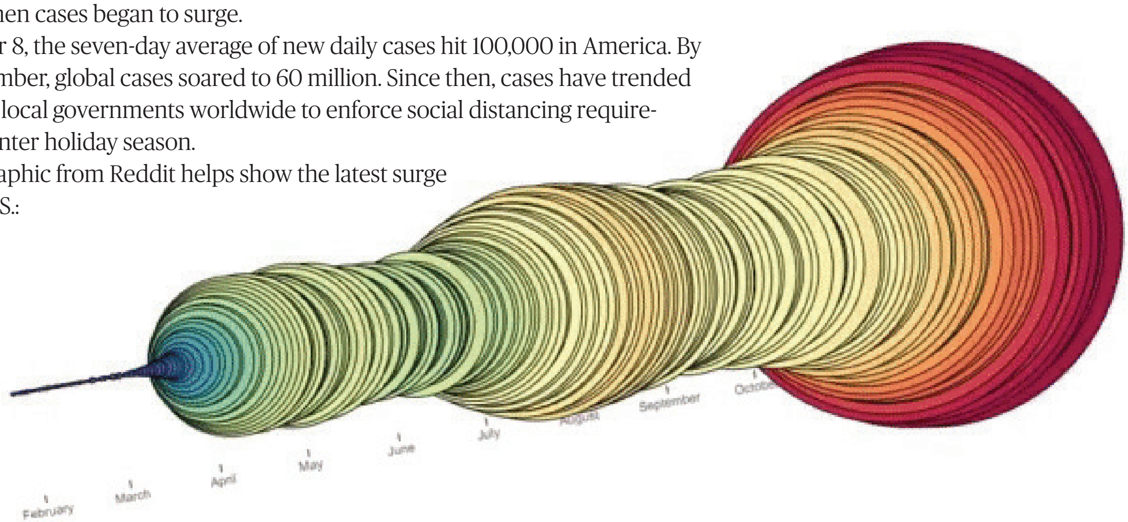


#9. COVID-19's Third Wave

Like history tells us, pandemics come in waves. The third wave of COVID-19 escalated in November, when cases began to surge.

On November 8, the seven-day average of new daily cases hit 100,000 in America. By the end of November, global cases soared to 60 million. Since then, cases have trended upward, leading local governments worldwide to enforce social distancing requirements for the winter holiday season.

The below graphic from Reddit helps show the latest surge in cases in the U.S.:



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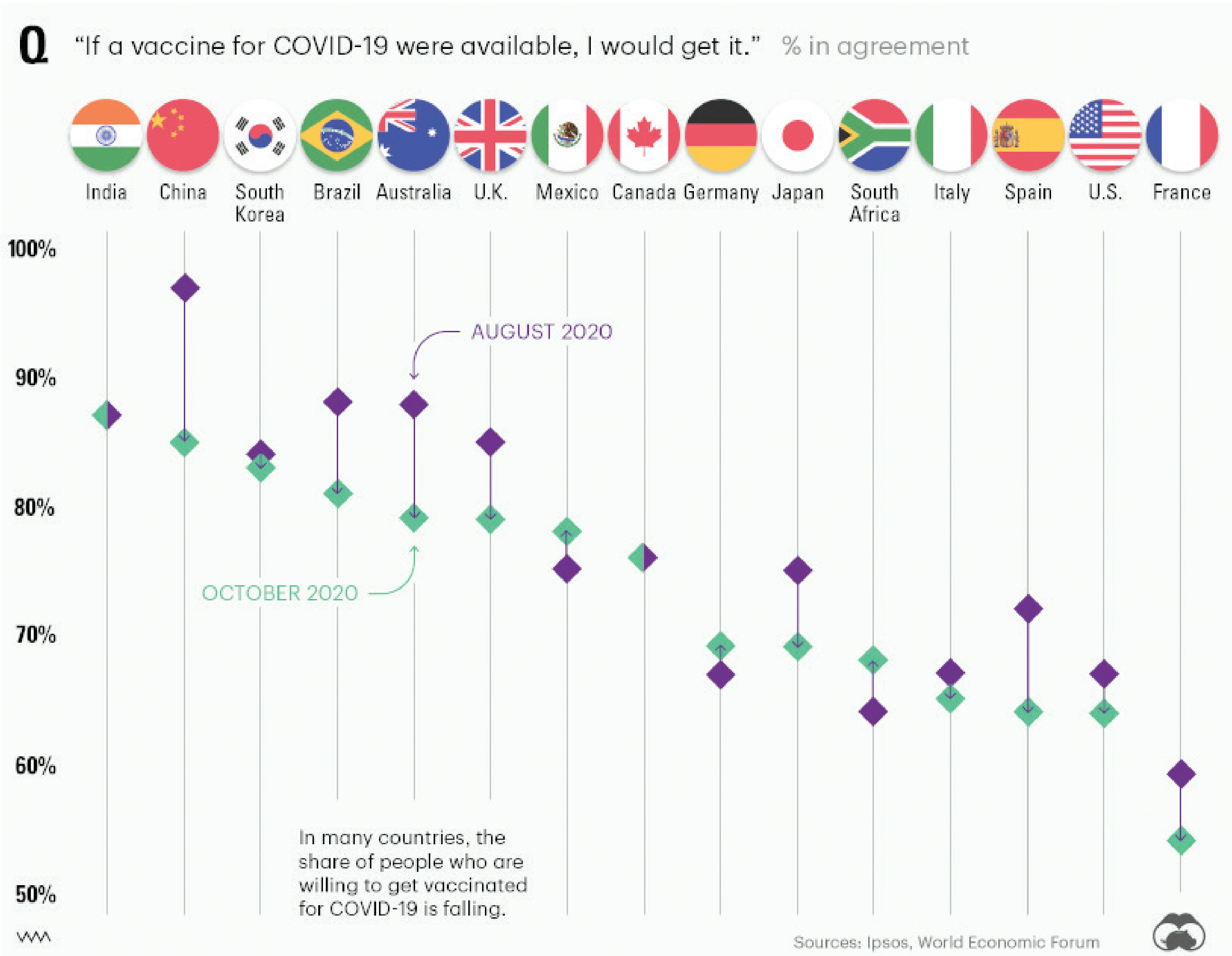
#10. Global Vaccination Effort Kicks Off

In more recent news, Pfizer made waves when it announced it was rolling out a 95% effective COVID-19 vaccine. Then followed Moderna, at 94.5% in mid-November. As the global vaccination race intensifies, Bloomberg tracks the progress of nine vaccines and 80 publicly disclosed distribution deals representing 7.95 billion vaccination doses.

However, even with viable vaccines, challenges still exist. All around the world, perceptions of vaccine safety have dropped significantly, which may complicate an economic recovery.



On to the Next One

After the wild ride that was 2020, many people are wondering what 2021 will have in store.

In the first half of the year, vaccine distribution will surely take center stage. As well, economic recovery will be in focus as physical businesses resume more typical activity and regions slowly open up travel and tourism again.

Much like the financial crisis of 2008 was an inflection point for the economy, the COVID-19 pandemic has changed the course of human history. Chaos can breed opportunity, and even though unemployment spiked to record highs in the U.S., new business applications did as well.

Will things return to "normal"? As the many twists and turns of the past year have demonstrated, our complex, interconnected world is far from static. The next black swan is always just around the corner.

Ranking of Georgian Banks

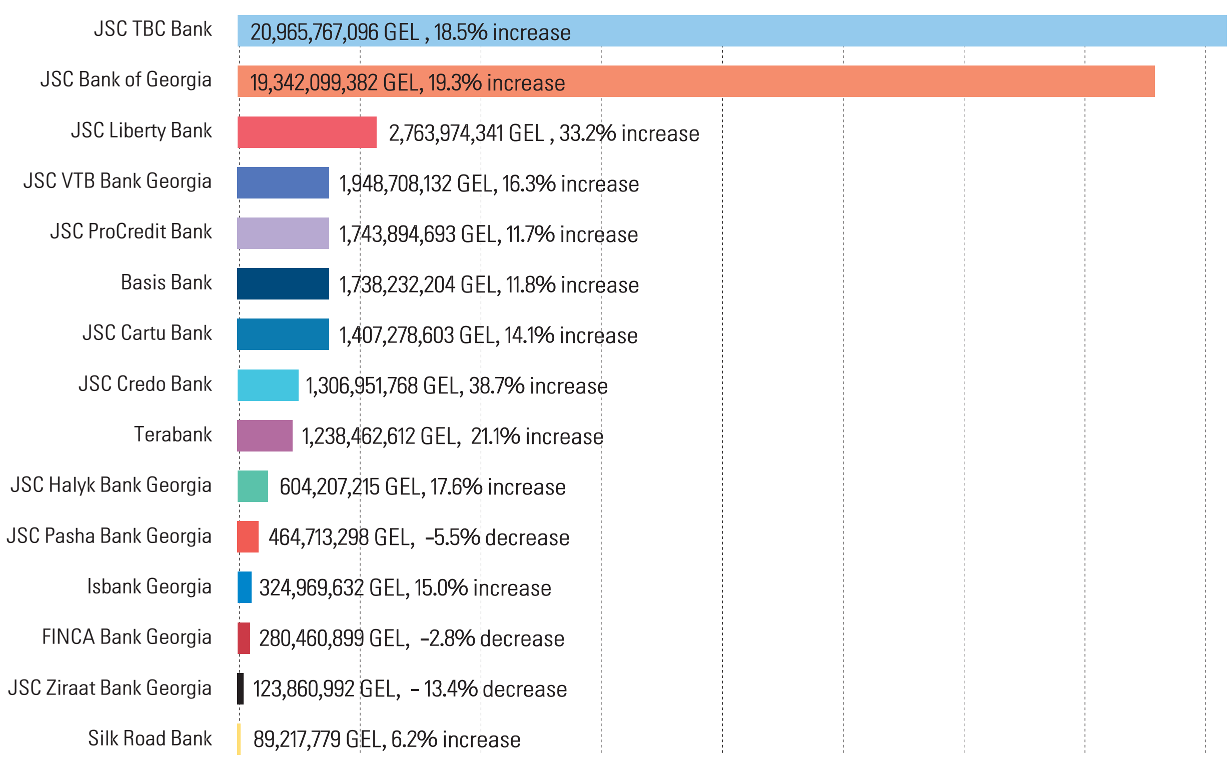
ALL COMMERCIAL BANKS OPERATING IN GEORGIA have already submitted their financial results for the first nine months of 2020 to the National Bank of Georgia. Despite the current economic crisis, the total assets of Georgian banks increased by 18% year on year, amounting to GEL 54 billion. Total revenue from loans issued by banks has also increased, totaling GEL 2.9 billion for the first nine months of the year. The 2019 figure for the same period was GEL 2.7 billion.

Nevertheless, net profit figures posted by the banks show a sharp decline. The fifteen commercial banks have posted losses totaling GEL 252 million. As we can see from the figures, the main factor that accounts for the down turn is the accumulation of GEL 1.2 billion in expected credit losses.

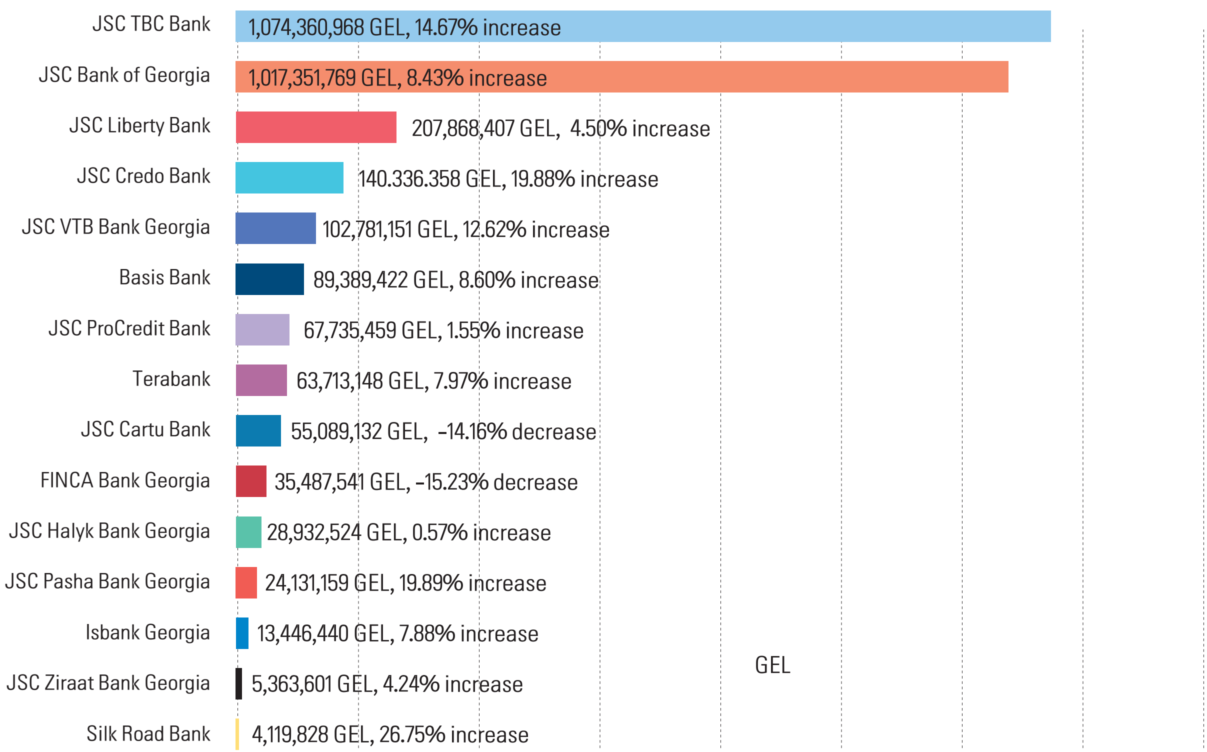
Georgian commercial banks have provisioned for a combined sum of GEL 1.22 billion as a buffer for "possible asset losses". This probably refers to the potential losses on loans, as the crisis looms large. According to NBG President Koba Gvenetadze, the banking sector is likely to record a loss or minimal profit for this year. In comparison, banks posted a combined net profit of GEL 953 million in 2019.

BY SHOTA TKESHELASHVILI

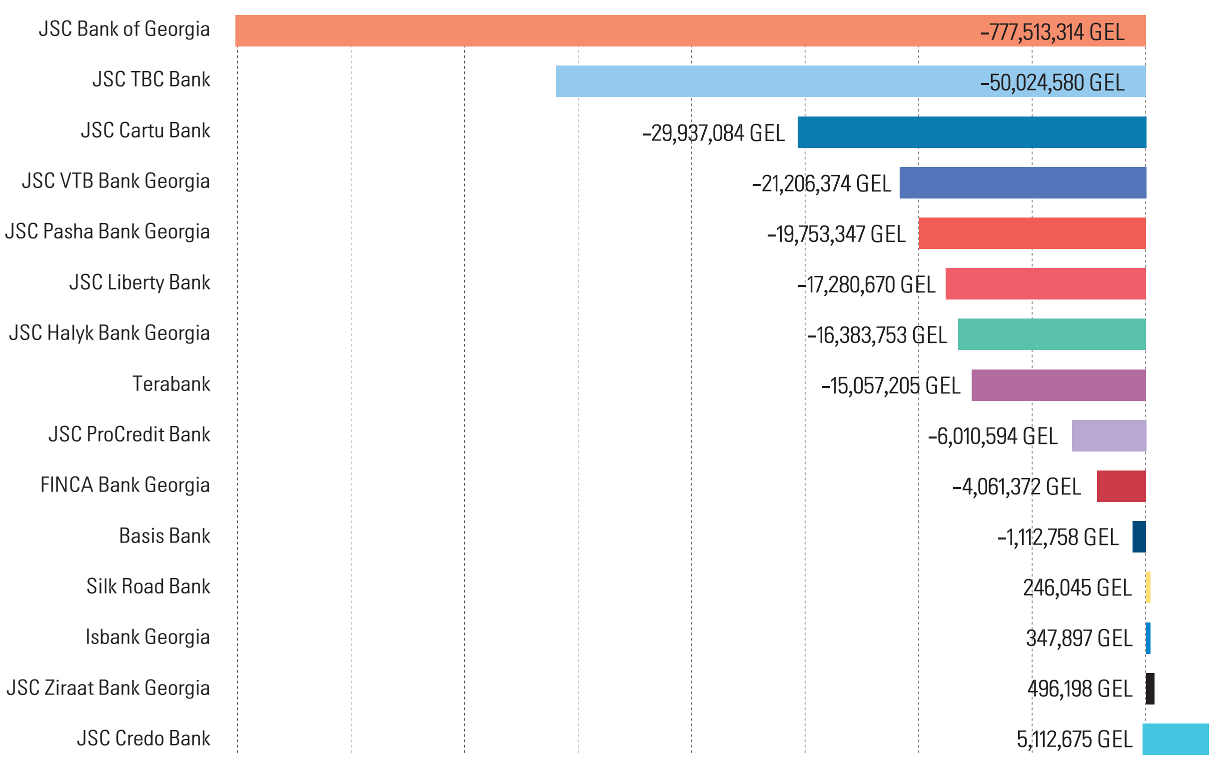
Volume of assets of Georgian commercial banks as of Q3 2020



Total revenue of Georgian banks for the first three quarters of 2020



Net profits / losses of Georgian banks for the first nine months of 2020



THOUGHT LEADERS

GELA BARSHOVI - CURRENT EVENTS

1% PERSONAL INCOME TAX IN GEORGIA. WHAT YOU SHOULD KNOW AND WHAT TO CONSIDER.

UNDER ARTICLE 90 of the Georgian tax code, an individual who earns up to 500,000 GEL (approx. $150,000) per year and obtains a “Small Business” certificate can enjoy a personal income tax rate of 1% in Georgia.

1% is an extremely low tax rate. One which is highly beneficial for many freelancers and individual entrepreneurs. You will not find many jurisdictions offering similar tax incentives, however, it is not as simple as it first sounds.

Here is what you should consider before you can enjoy1% personal income tax in Georgia:

PRO: 1% TAXATION IS AVAILABLE WITHOUT BEING A TAX RESIDENT OF GEORGIA

You do not need to be a Georgian tax resident to benefit from “Small Business” status. When Georgia’s Revenue Service issues the certificate, the authorities are not interested in your text residency status, instead they ask about the business activities you carry out.

However, if you are a tax resident of another country, you might not benefit from Georgia’s 1% taxation. It is likely that the income from services invoiced in Georgia will be taxes again under the local law of the of the jurisdiction of your residence. This may also be a problem if you are a dual tax resident (i.e. a tax resident of both Georgia and another country). It is a long story, in short, the most effective way to thoroughly enjoy the tax benefit is relocation to Georgia.

CON: “SMALL BUSINESS” STATUS DOES NOT APPLY TO ALL BUSINESS ACTIVITIES

Unfortunately, ‘Small Business’ status does not apply to all business activities. For example, consultancy services and employment contracts do not qualify for1% taxation in Georgia. A list of activities that qualify for “Small Business” status is given in decree #415 of the Georgian government.

GELA BARSHOVI IS AN INTERNATIONAL AND GEORGIAN TAX ADVISER AND A MANAGING PARTNER OF THE TBILISI-BASED ACCOUNTING/CONSULTING FIRM TPSOLUTION. REGARDING BUSINESS INCORPORATION, TAX CONSULTATION, AND/OR ACCOUNTING SERVICES, YOU CAN REACH OUT TO HIM DIRECTLY AT GELA.BARSHOVI@TPSOLUTION.GE.

Decree #415 provides the following information:

1. Economic activities that are permitted for "Small Business" entrepreneurs and are taxed at 1% (or 3% above 500,000 GEL, if applicable);

2. Economic activities that are permitted for "Small Business" entrepreneurs and taxed at the regular rate of 20%;

3. Economic activities that are not permitted for small business enterprises, meaning that in the case of performing such activities, the status of "Small Business" will not be granted or will be revoked.

Consequently, it is important to find out if there is a risk of Georgian tax authorities re-qualifying your services, for instance, as a consultancy (a forbidden business activity for a "Small Business").

Notably, toqualifyfor1% taxation, it is not important what title you give your contract, but contractual conditions should be in line with the reality. Otherwise, Georgian tax inspectors might apply the so-called General Anti-Avoidance Rule (GAAR) and change the qualification of your business transactions.

According to the Georgian tax code Article #73.9:

"To determine tax liabilities, the tax authorities have the right:

a) To not take into account business transactions of no substantial economic impact;

b) To change the classification of a business transaction based on its form and substance if the structure of the transaction does not correspond with its substance."

The Georgian tax authorities are entitled to change the transaction's qualifica-

tion regardless if a contract exists. For example, if a contract says, "IT services" or "management services", a tax authority might qualify it as consulting on IT; thereby revoking the "Small Business" status retrospectively. It is therefore imperative to make sure that the contract's terms are well-worded and comply with the real business activity being undertaken.

The same problem might arise regarding qualifying a contract as a service provision or as employment (employment income is taxed at20%). If you work as an employee and change your contract and name it a "service agreement" to enjoy1% taxation, make sure that other conditions of the contract also change, otherwise only changing the name might lead to the application of GAAR.

Several factors make an employment contract different from a service provision. For example, when a service provider has only one client for a long period of time, it might create doubts that the contractual relationship is employment and not service provision. Of course, that is not the only decisive factor but Georgian tax authorities might use that as a starting point for a tax investigation.

There have been several cases when Georgia's tax authorities challenged "Small Business" status, claiming that a person was an employee and not a service provider and the only purpose of naming the contract as a "service agreement" was to benefit from 1% tax.

PRO: IF YOUR INCOME EXCEEDS 500,000 GEL PER ANNUM, "SMALL BUSINESS" STATUS IS NOT REVOKED

If your income exceeds 500,000 GEL annually, it is not a legal base for revoking "Small Business" status as long as the 500,000 GEL income threshold is not exceeded in two consecutive years.

Besides, you pay 3% above 500,000 GEL starting from the month when you exceed the threshold. If you receive 600,000 GEL in one transaction and it is your recognized income, you pay 3% on the full amount of 600,000 GEL. On the other hand, if you receive 60,000 GEL over10 months and exceed the threshold in the ninth month, you will pay 1% for the first eight months on 480,000 GEL and 3% on 120,000 GEL in the ninth month.

Please Note: the tax reporting period for a "Small Business" is onemonth.

CON: OWNERSHIP OF A CERTIFICATE OF "SMALL BUSINESS" DOES NOT GUARANTEE 1% TAX RATE. IT STILL CAN BE CHALLENGED BY TAX AUTHORITIES (E.G. REVOKING "SMALL BUSINESS" STATUS AND APPLYING 20% RETROSPECTIVELY)

You cannot enjoy the 1% taxation without a "Small Business" certificate issued by Georgia's Revenue Service. However, when you have the certificate, it is nota legally binding document for the Georgian tax authorities, they can still challenge the status and claim you should not be taxed at1%, instead at the regular rate of 20%.

The procedures work as follows:

You visit the service center of the Georgia Revenue Service (GRS)on Kostava Avenue in Tbilisi. After youtake your queue number, you are served by a nice and polite lady(an assumption is that at that moment you are already registered as a taxpayer). As an aside, you can visit the service center alone or with a tax adviser.

The lady asks the reason for your visit, you say that you would like to obtain "Small Business" status. The main question from her is: what is your business activity? If you say, for example "consultancy services", she will tell you that you do not qualify for 1% taxation. If you say, for example, that you carry out IT services, you will receive a "Small Business" certificate.

The lady at the service center does not request service contracts and does not verify if you provide IT services; she relies on your word and issues the certificate. However, if, for instance, after two years, a tax inspection is initiated in your business, tax inspectors from the audit department of GRS (where I worked for almost eight years) will check the actual activity of your business (the substance of your business transactions).

Imagine that they find out that your activity involves providing consultations regarding IT, and other forbidden activities. In this case they will revoke your status and make tax assessments retrospectively, applying a 20% personal income tax instead of 1%, regardless of you having obtained the "Small Business" certificate. Plus, you will face a penalty up to 50% of the additional tax and 0.05% interest of the principal amount of tax for each day overdue.

Notably, the statuteof limitations in Georgia lasts for three years. In reality, this period is three years and eleven months given the tax reporting requirements. After that time, a tax period closes, and a tax authority is not entitled to conduct tax inspections. For example, currently it is December 2020, and tax authorities cannot check 2016 because it is a closed tax period. However, authorities can check almost four years from January 2017. They can go nearly four years back and recalculate your taxes if they decide to investigate your "Small Business" status.

The same approach applies for "Virtual Zone Persons"

As you may know, in addition to1% personal income tax for individuals and many other tax benefits, Georgia also offers 0% corporate income tax for IT companies who provide IT services from Georgia abroad and hold a certificate of "Virtual Zone Person" (VZP). The same tax risk should be considered by companies having the status of VZP as well as for "Small Business."

In particular, thecertificate of VZP does not mean guaranteed exemption from corporate income tax because again the certificate is not legally binding for tax authorities, and such an exemption does not apply to any IT activities provided from Georgia to abroad; there are critical preconditions to meet for qualification of tax exemption. So, if the government issued the VZP certificate for your company that does not mean that the government has verified all information provided by you and no one will challenge your tax exemption in the future. Unfortunately, many misunderstand this issue.

In brief, there are many entrepreneurs in Georgia who benefit from 1% tax lawfully and they have zero problem with tax authorities. Conclusion

In Georgia, 1% taxationof individuals (a natural person) is a great possibility for many entrepreneurs and freelancers to save tax expenses legally. However, as I have already noted, you should be careful before enjoying this tax benefit.

Before obtaining status, you should receive the proper advice and make sure that your business activity is subject to 1% taxation, and your contract is professionally written and consistent with your business' activity.

Finally, after eight years working as a tax inspector, I have seen various cases proving that it is very expensive for an entrepreneur to solve tax-related issues without consulting a qualified professional. It frequently happens because of hope that a tax inspection of their company will never be initiated. As a result, quite frequently they end up with high tax assessments and penalties.

So, enjoy 1% personal income tax in Georgia, as many entrepreneurs do, but please do it carefully and correctly. F

THOUGHT LEADERS

BUKA PETRIASHVILI - CURRENT EVENTS

HOW DO WE DEAL WITH RUSSIA?

AT A TIME WHEN the world is battling the COVID-19 pandemic, dealing with the subsequent economic crisis and racing to develop a vaccine, global news seems to continuously feature the following stories: investigations finding that the assassination attempt on the Russian opposition figure Alexei Navalny involved a large group of high-ranking officers of the country's secret service; groups of Russian hackers, backed by the FSB and the Kremlin, are suspected to have been behind the cyberattacks on the United States departments of Homeland Security, Trade and the Treasury, as well as thousands of businesses; the Russian Minister of Foreign Affairs Sergei Lavrov met German far-right politicians in Moscow and later caused a scandal during his visit to Bosnia and Herzegovina after having been accused of meddling in the country's foreign policy. While the world is changing; nothing has changed regarding the approach employed by the Kremlin.

Other things are already long-known to us: even the most innocuous one-man protest on the streets of Moscow or Saint Petersburg ends in arrest; the Russian legislation serves the purpose of promoting Vladimir Putin's "immortality" and guaranteeing his personal security; Russia has long meddled in the elections, referendums and other important domestic issues of foreign countries; Russia has been waging full-scale information wars; Russia is constantly working to destabilize Belarus, Moldova and Georgia at all costs, and is directly interfering – openly or covertly – in the affairs of sovereign states; to this day, sections of the regular Russian army are involved in military activities in eastern Ukraine; Russian mercenaries remain in Libya and Syria, while old and new military bases in Syria and the South Caucasus constitute a source of destabilization. In short, wherever there is bloodshed, tension and confrontation, Russia's presence is guaranteed.

What is the West doing in the meantime? Thinking, debating, bickering amongst each other, and finally agreeing to either extend or impose sanctions. Nobody denies that sanctions are important, but they will never be enough to put an end to everything listed above. Naturally, it causes great discomfort for Russians, and

Vladimir Putin's closest allies, to have their western bank accounts frozen, or to be unable to travel to the United States and Europe, stay at their own expensive villas and visit their family members. Nevertheless, years of experience have shown us that these sanctions do not go far enough to bring the Russian regime to its senses and prevent cases such as Skripal poisoning, the Khangoshvili assassination in broad daylight in the heart of Europe, or the attempts on the lives of Alexei Navalny, Vladimir Kara-Murza and many others. To put it simply, sanctions will not bring Russia onto a righteous path.

What is the reality in Russia today? Like most other countries across the world, Russia has been economically hit by the pandemic, particularly due to falling oil and gas prices. According to UN data, Russia is a rapidly aging nation. Outside of Moscow, Saint Petersburg and a few other cities, the current situation is akin to the Tsarist era. There has been a significant outflow of foreign capital over the past few years, and Russian businesses have seen their revenues plummet. On the foreign front, aside from a somewhat forced strategic partnership with China, the country has been largely ostracized by leading economies and the democratic community. Relations between the United States and Russia are, by all accounts, at their lowest point since the Brezhnev era. Relations with the United Kingdom have never been particularly warm but have also hit rock bottom since the Skripal affair. Relations with Germany and France have significantly deteriorated. Russia could now be described as a pariah state.

On the 20th of January 2021, the United States will inaugurate a new president. Joe Biden will be facing a far more difficult reality than during his time as vice-president in the Obama administration – prior to the Russian annexation of the Crimea. At that time, there was no pandemic, no economic crisis, no Wagner Group mercenaries unleashed by 'Putin's chief' Prigozhin, or the latter's troll factories. We had Reset 1.0, Reset 2.0, and most importantly, numerous bilateral and multilateral control mechanisms for nuclear arms and other types of weapons. Today there is little possibility of another reset or a significant new nuclear deal.

President Biden will need a new vision and long-term strategy with regards to relations with Russia. At the same time, the new administration of the United States must move quickly to repair ties with strategic allies and restore the country's leading positions in international organizations. Naturally, it is not only Russia that the new government will have to contend with. However, it will inevitably have to decide how to deal with the issue of Russia.

Defending human rights, respecting democratic values, and strengthening the shaken foundations of the liberal order will be high on the U.S. President's global agenda. However, it will also be important for him to direct additional efforts towards the following:

- Strengthening the security of Ukraine by supplying certain means of self-defense;

- Active involvement in Moldova's democratization and Europeanisation process;

- Creating a path for Georgia's NATO membership and a mutual security mechanism;

- Developing a new vision for the South Caucasus region to reflect the new reality;

- Actively supporting the people of Belarus and enabling the fulfilment of their democratic will.

It is especially important for the Biden administration to show that the aforementioned countries are not Russia's back yard, and that the security and democratic development of these nations will not become a bargaining chip that can be traded over other issues.

As for Russia itself, the Kremlin is currently actively preparing for next year's parliamentary elections. In light of growing discontent within Russian society, local activists, opposition forces and civil society will need support from the West. Experts believe that the Russian government expects domestic tensions to reach boiling point next year, or during the next presidential elections at the latest.

We understand that Russia has a huge arsenal of nuclear weapons. We understand that Russia will always try to use the nuclear security issue and its strategic partnership with China as bargaining chips. However, the United States and the West have more than enough leverage of their own that Russia would struggle to neutralize. Take major energy projects such as Nord Stream 2, for example – any delay to them would place further strain on the Russian state budget. Exclusion from the international banking system and activation of further economic and financial levers would be another possibility.

I have said this before, and I will say it again: The Russian regime only understands statements that are made from a position of strength. It will only yield its positions when faced with a show of force. This was the case before the pandemic, it is the case now, and it will always be the case. The world is changing rapidly, but it will take generations for Russian to change.

I am not naïve enough to believe that from the 21st of January 2021, the United States will start prioritizing the issue of security and democratization in the aforementioned countries, particularly in Georgia. However, I am certain that the question "how do we deal with Russia?" will be one of the first to come up when discussing foreign policy challenges.

THOUGHT LEADERS

REVAZ VASHAKIDZE, AVTANDIL GOGOLI - CURRENT EVENTS

A COUNTRY ON THE BRINK OF DEFAULT

REVAZ VASHAKIDZE

AVTANDIL GOGOLI

EACH ARTICLE IN OUR COLUMN aims to illustrate the expediency of measures that are necessary to achieve fast economic growth. This common goal is shared by twelve articles that have been published by Forbes Georgia since May 2019.

Due to the current situation in Georgia, this article will not deal with the subject of fast economic growth. Today, like never before, Georgia is on the brink of an economic and social catastrophe. We will, therefore, assess the risks and threats facing our country, as well as offer our opinion about the measures that must be implemented to avoid complete social and economic collapse.

We will not be conducting a political analysis of the current situation, nor will we offer critical assessment of the factors that brought us to the point we are at today. Georgia is facing a reality that we must critically examine to identify all the risks as well as to make the right fiscal and economic policy decisions to mitigate these threats.

ASSESSMENT OF THE TASK AHEAD

The current economic situation and dynamics in our country are best reflected in the state budget and state debt.

Based on the 2020 budget, the state will collect ₾10.4 billion in tax revenue–₾3 billion in income tax from natural persons, ₾0.8 billion in profit tax, ₾3.8 billion from VAT, ₾1.3 billion in excise duties and ₾1.5 billion in grants and other revenue (disposal of financial and non-financial assets).

₾10.4 billion is the sum delivered to the government through taxes. To put it simply, we as a country have the capacity to generate ₾10.4 billion independently through our own means.

If we wish to function independently and within our means as a country, our budget spending should not exceed ₾10.4 billion. Each additional lari that we spend beyond the revenue generated must be financed from sources other than taxes. These alternative sources usually come in the form of debt – money that the country cannot generate but still ends up spending.

The 2020 state budget accounts for revenue worth ₾8 billion in addition to the ₾10.4 billion in tax revenue. Thus, total budgetary revenue amounts to ₾18.4 billion.

The sum of ₾8 billion in additional revenue is not generated by our country. This is new debt, which will increase our domestic and foreign liabilities. From the sum of ₾8 billion, approximately ₾6 billion will be spent in 2020, while the remaining ₾2 billion will be spent in 2021. Thus, the government is borrowing ₾6 billion to cover the budgetary expenses for the current year, and our country will end up spending 60% more than the economy has generated in tax revenue.

According to data from the Ministry of Finance, Georgia's government debt amounted to ₾26.3 billion in August 2020, when only a part of the new funds had been borrowed. Georgia owes ₾20.7 billion in external debt and ₾5.6 billion in internal debt. Out of the sum of ₾8 billion that the government is borrowing this year, ₾1.8 billion is internal debt and ₾6.2 billion is external debt. By the end of the year, we will have government debt totaling ₾34 billion, of which ₾26 billion is external debt and ₾8 billion is internal debt.

To summarize, total government debt exceeds the country's annual tax revenue threefold. In 2020 alone, Georgia will spend 60% more than its economy will generate in tax revenue.

According to the first draft of the 2021 state budget, Georgia is planning to increase its government debt by ₾7.5 billion during the period between 2021-2024 (accounting for repayments of the existing liabilities and new borrowing).

THREATS AND RISKS

Debt, and external debt in particular, constitutes a clear and present danger to Georgia. Around 79% of total government debt is foreign currency-denominated external debt. Through its 'larization' policy, the government purports to care about the currency-related risks facing Georgian firms and individuals. At the same time, the index of dollarization in the government debt is considerably higher than in the loans of companies and individuals.

Foreign currency-denominated external debt is the main risk factor. To adequately assess the threats associated with external debt, it is important to take the following circumstances into account:

By the end of 2019, Georgia still could not manage to create an attractive business environment for domestic and foreign investors. Against the background of regional instability and the global post-pandemic economic issues, attracting investment and achieving fast economic growth became even more difficult in 2020. We should also not have any illusions about Georgian products achieving a major breakthrough on the export market and increasing the flow of foreign currency into the country.

Naturally, all of the above will affect the exchange rate of the national currency and lead to its further devaluation.

Based on the current global, regional, and local economic environment, we can presume that the lari will lose even more of its value over the coming years. Over the last five years, our currency has already lost 33% of its value against the U.S. dollar, which is 5.8% per year.

How can we be certain that the lari will not be devalued by a further 20% over the next three to five years? Considering the current state of the economic environment, there are no rational arguments that would rule out this scenario.

Georgia's external debt stood at ₾20.7 billion in August this year, prior to us taking on additional liabilities. Approximately 90% of external debt is foreign currency denominated. Therefore, each time the lari loses 5% of its value against the dollar (say, from 3.20 to 3.36), our external debt grows by ₾900 million. Our debt grows and the burden on our budget gets heavier on the back of currency devaluation alone.

According to data from the National Bank of Georgia, total external debt increased by more than ₾600 million ($202 million) during the second quarter of 2020 alone due to devaluation of the national currency.

Moreover, ₾800 million must be allocated from the 2020 state budget only to pay interest on internal and external debt. As the debt is due to increase next year, the cost of servicing it will naturally increase as well.

This is why the current volume of external debt; the speed of its growth and the expected devaluation of the national currency pose a grave threat to the economic and social fabric of Georgia.

If Georgia continues to finance its current budgetary expenditure through new borrowing, it will soon find itself in the same situation as numerous other countries with similar fiscal policies did before – initially, we will be unable to borrow money to repay our liabilities; subsequently, we will also be unable to pay interest on these liabilities.

Some countries who found themselves in a similar situation in the past chose to default on their liabilities and write off or restructure their debts. Other bankrupt countries tried to service their external debt by artificially devaluing their national currency.

However, when we think about defaulting or artificially devaluing our currency, we must bear in mind that in both cases, we would end up facing fiscal measures that would cause social implosion.

With the social environment in Georgia already exceedingly difficult, choosing to default or artificially devalue our currency would be unfathomable. It would be a major blow to a population that is already poor and private businesses that are already struggling. As a result, we believe that defaulting on our debt or devaluing the national currency do not constitute a workable solution.

GOOD BUDGETARY AND FISCAL POLICIES

Against the background of the current reality and the aforementioned threats, we must decide what our budgetary policy for next year should look like for Georgia to achieve the following:

1. Provide adequate social support for its poor population;
2. Keep inflation at a reasonable level;
3. Avoid default;
4. Achieve the best possible economic results under the current circumstances.

We believe a sustainable long-term solution to be the following:

1. Tie our budgetary expenditure to the tax revenue (i.e. spend no more than what our economy generates in the form of taxes);
2. Adapt our budgetary expenditure to our top priorities and our constitutional functions.

The first task would be to ensure that since we plan to collect ₾10.4 billion in tax revenue in 2021, our budgetary expenditure must not exceed ₾10.4 billion. As a country we must learn to meet our obligations while living within our means.

We may only spend more than we collect in taxes if we obtain additional revenue in the form of grants from donors or through privatization. In short, the accumulation of internal and external debt must cease.

The structure of budgetary expenditure must address the main challenges, top priorities, and constitutional functions of the state. This must become the fundamental principle of budgetary spending.

The structure of budgetary expenditure contains so many problems that it would be impossible to list them all. We will highlight several important examples to clarify the principles on which the Georgian state budget ought to be built for the foreseeable future.

At a time when the 2020 budget contains ₾10.4 million in tax revenue, approximately ₾1.55 billion is spent on employee salaries in state agencies, legal entities of public law and non-entrepreneurial (non-commercial) legal entities. ₾1.51 billion is spent on procurement of goods and services for the aforementioned entities. Thus, more than ₾3 billion, or 29% of total tax revenue, is spent on salaries, goods, and services at state agencies.

These figures help us understand the size of our economy, the tax revenue generated by the economy, as well as the enormous scale of the state apparatus that places a heavy burden on our meagre tax revenue.

Inevitably, we must cut the number of state agencies and legal entities attached to them as much as possible. Their funding must not exceed 15% of the tax revenue within the state budget. This must be a red line for the funding of state agencies, and it must be directly tied to the tax revenue generated by our country's economy.

This year, ₾1.8 billion, or 25% of the tax revenue, will be spent on grants and subsidies within the scope of various projects that are multiplying each year.

It follows that in a country that finds itself facing grave social problems, 29% of the tax revenue are spent on state agencies and a further 25% on grants and subsidies issued by these same institutions.

In past articles in this column, we have often written about the ineffectiveness of state subsidies and grants, citing the examples from different ministries. Yet apart from their ineffectiveness, these programmes also contain high risks of nepotism and corruption. We believe that it is absolutely necessary to completely eliminate these state subsidies and grants from the budget.

The state budget must reflect the country's problems and priorities. This applies particularly to the acute problems facing the public. However, Georgia's state budget currently contains anomalies that have little in common with the reality in our country today. One may think that this budget was created for another country altogether.

Here are a few examples:

Considering the current level of crime in Georgia, and at a time when law enforcement agencies are suffering from shortages in qualified personnel, it is unclear why the Prosecutor's Office receives a total of ₾82 million in funding, while the Georgian Public Broadcaster, which has an approval rating of less than 2%, receives ₾68 million out of the state budget.

If we also consider the problems that exist in our judiciary, then it becomes hard to understand why we are spending less on our court system (₾167 million) than on athletes and artists who receive ₾211 million in state funding.

The Georgian state budget contains endless examples that illustrate how the principles of budgetary expenditure are detached from the country's real problems and constitutional duties.

Ensuring a fair judiciary system, the rule of law and public security are constitutional duties of the Georgian government. Funding professional sports and modern culture (except for Georgian cultural heritage and ethnographic monuments) should not be the responsibility of the government.

The second principle for composing the state budget must be to assess the effectiveness of each state body and its activities. We must determine what can be achieved by funding each specific area and how much money needs to be spent.

To critically assess the state functions and agencies, we must answer the following question: which one of Georgia's successes would not have been achieved if we had eliminated a specific ministry or department five years ago, and what problems would our country be facing?

Each year, more than ₾5 billion from the state budget is spent on social security. It is particularly important to ensure that the financial circumstances of recipients of social assistance form the basis of expenditure on social security. Every citizen must receive state support in accordance with their financial situation.

This is the only way to ensure that social security-related funds are spent effectively, and that the problem of poverty is genuinely being addressed. It is completely unacceptable for everyone to equally benefit from the social security component of the state budget, regardless of whether they are destitute, poor, reasonably secure financially, or indeed extraordinarily rich.

CONCLUSION

We believe that the state must fulfil the following key functions for the benefit of the public: defense and security, basic social standards, and healthcare, an effective judiciary, and the opportunity to obtain high-quality basic education. In our opinion, everything that goes beyond these fundamental functions of the state is subject to critical assessment, especially when taxpayer money is being spent on performing additional functions.

By building the state budget on these principles, we will achieve several goals. We will completely remove the need for taking on internal and external debts, thereby also eliminating the threat of default. We will also increase the effectiveness of budgetary expenditure on social security and gradually improve the population's social circumstances. We will significantly reduce the size of the legislative and executive government, together with the relevant expenses, nepotism, and corruption, while substantially improving their competence and effectiveness.

Most importantly, as a country we must develop discipline and learn to live debt-free to survive and achieve economic development.

GROWTH DESPITE THE PANDEMIC

Rompetrol opened 6 new petrol stations in Georgia this year. The company's owner, KMG International Group, is implementing a five-year strategy that will involve intensive expansion of their network on the retail market. The company's effective crisis management plan has allowed it to fulfil its objectives in spite of the pandemic.

BY TAMTA JIJAVADZE

"During this difficult period, not only did we manage to protectour employees and customers and safeguard all the existing jobs, but we actually continued to invest, thereby creating new jobs," company's General Director Zamanbek Mirzayanov states, adding that the investment environment stills needs improvement in Georgia.

"The investment climate is unenviable, which causes a headache for foreign investors. However, we hope that the situation will soon change for the better."

KMG International N.V. is registered in Netherlands and owns 100% of Rompetrol. Already in March, the company activated its crisis management plan, which seeks to preserve continuity of operations, while at the same time protecting company employees, their families and customers.

Most company employees are now working remotely. Business trips and meetings have been cancelled and self-isolation requirements were imposed on staff returning from abroad. The number of 'front office' staff working the same shift was reduced to a minimum, and employees have limited direct contact with the customer. Nevertheless, there have been no delays in the process of delivering fuel to the consumers. The main challenges currently facing the company concern reduced fuel consumption, particularly during the periods of lockdown and curfew.

KMG International Group, owning Rompetrol Georgia, operates in 11 countries of Europe and Central Asia. Rompetrol first appeared on the Georgian market 15 year ago and immediately established itself as one of the largest importers of premium-quality fuel. Rompetrol is also one of the largest taxpayers and employs 800 people across the country. Company revenues exceeded GEL 500

million in 2018, but the fuel industry is one of many that have been affected by the pandemic in 2020.

“Our sales have decreased by 20%, forcing us to cut our operational costs and delay several planned projects. However, the company ultimately managed to bring the situation under control without suffering major losses and adapt to the new reality relatively quickly. Crisis management teams were established in every Rompetrol branch back in February,” Mr. Mirzayanov states.

Taking early measures produced the desired results. By optimising operations, the company managed to keep the business in good shape and maintain growth. Rompetrol opened more than 5 new petrol stations across Georgia in 2020, taking the total number of facilities to over 80. Among the newly opened stations is the one in Borjomi, which follows a new concept and is a source of great pride for Zamanbek Mirzayanov.

“The Borjomi station, which employs 11 people, will soon offer a full package of services – a café, supermarket and lounge terrace in addition to petrol station. The new station has been built using modern technologies. The reaction from our loyal customers has been highly positive,” the company General Directorexplains.

The new station will attract customers beyond the usual clientele. This is not only due to the additional facilities, but also the technical features of the petrol station itself. The station has been equipped with Tokheim fuel pumping systems that are renowned for their high accuracy and quality. The fuel comes from the ultramodern Petromidia refinery in Romania and satisfies Euro 5 standards (Efix and EfixS). Most importantly for Borjomi, the new location is equipped with modern environmentally friendly systems considering the presence of vapor recovery mechanism at fuel pumps, oily water separators and double-wall tanks for leakage prevention.

It is encouraging to see that in the most difficult year for Georgia and the whole world, Rompetrol has found strength to look after the environment, its employees and its customers. This strength has become the company’s main driving force. The expansion continues, and its extent will become evident during the next five years.

“We are constantly working on improving ourservices and expanding our coverage to reach all parts of beautiful Georgia” states Zamanbek Mirzayanov.

WHERE IS GEORGIA LOCATED ON THE IT MAP?

Does Georgia have a future in the IT industry? The StrategEast State and IT Eurasian Forum held in Tbilisi answered these questions. The forum was one of the largest international events held during the pandemic. We spoke to its organizer, StrategEast President Anatoly Motkin.

BY TAMTA JIJAVADZE

The IT industry does not occupy an important place in the Georgian economy today. Do you think this field has a future in Georgia?

Absolutely. First, you know perfectly well how creative and intelligent the people who live in Georgia are. Today, computer science graduates from local universities such as BTU, the Caucasus University, and the Free University find employment quite easily.

Also, at StrategEast we make a great effort to attract major international companies to Georgia so that young people can gain experience from world-class specialists. Some of these companies have already opened offices in Tbilisi and brought across several staff from other countries – in order to work and to train the local talent.

At the StrategEast forum, several statements were made by Georgian government officials and industry leaders about tax cuts for IT companies as well as the opening of offices of American companies in Georgia. What were the results of the forum for Georgia?

Based on the dialogue between the participants and the results of the plenary discussions – in addition to forming so-called policy papers, which we share with key stakeholders in the Eurasian region – three important statements were made at the forum. First, the government of Georgia has named the IT industry among the three priority sectors for the country's economy. Second, for the first time at our forum, the Chairman of the Georgian Innovation and Technology Agency (GITA), Avtandil Kasradze, and the Deputy Minister of Economy, Irakli Nadareishvili, announced a reduced 5% tax for IT companies in Georgia. This law has already been approved. Third, Arkady Dobkin, President of EPAM Systems, a leading U.S. engineering company and a member of StrategEast's advisory board, announced the opening of an office in Georgia. It should be emphasized that the results of all these actions can already be seen, and I assure you that in less than a year, Georgia will occupy an important place on the IT world map.

The StrategEast Center recently published a report on the development of the IT industry – "Changing Economy Changing Society". As its name suggests, you consider the IT industry to be not only an economic but also a social factor. What changes does IT development bring to society?

We have long noticed how IT changes the pattern of social behavior in the countries of the region – mainly thanks to the fact that IT specialists work for western customers and collaborate with colleagues from large western corporations. Along with the acquisition of professional skills, these professionals will perceive a new, non-Soviet cultural code.

Suffice to say that in Minsk – where in the past ten years, right under our eyes, thanks to young IT professionals – public catering facilities with kolkhoz service have been replaced by numerous hipster cafes, public workspaces and other public establishments, which can easily be imagined in California, Berlin or Warsaw. But this is not the main thing; the major transformation that is taking place because of IT development is the formation of a new class of highly responsible professionals. For many years, the only generator of quality staff in Georgia was the banking industry and, partially, the law sector. Here, a major part of the population, as in most post-Soviet countries, has not acquired the two main characteristics that distinguish "Homo Sovieticus" from a market-conscious person: who is ready to take responsibility and respects private property.

In the Soviet Union and the United States, an employee might steal a hammer from work. In America, the man would say, "I stole this at work", whereas the Soviet man would say, "I took it from work and brought it home." The latter indicates a lack of taking responsibility and absolute disrespect for someone else's property.

StrategEast's mission is to help the countries that escaped Soviet occupation, to clear a vicious Soviet legacy, and to create a transparent economic model, based on knowledge and responsible, effective institutions.

You talked a lot about IT education in the forum and the need for investment in it. You mentioned the educational center IT HUB,

which you opened in Tbilisi. Could you tell us more about that?

Although StrategEast is fully engaged in the economic transformation of the region, I have long had a special attitude towards Georgia and have been thinking about how to create a successful and dynamically developing IT sector here.

The state itself has carried out colossal work in this direction. Georgia's Innovation and Technology Agency (GITA) has, in a short time, become a real driver of innovative transformations in the country, and I am glad that StrategEast has such a qualified partner in Georgia. As I mentioned earlier, the role of the universities and the Ministry of Education itself, which also provides tremendous support, is important. As our own experience in Georgia has shown – without close cooperation with universities and the Ministry of Education, it is much more difficult to implement a vocational education program.

Our StrategEast IT HUB in Tbilisi is fundamentally different from similar initiatives in that we first create new high-paying jobs and our graduates, immediately upon completion of their studies, start working in major international technology companies without leaving Georgia. The StrategEast IT HUB in Tbilisi was forethought as a physical space where world-class IT specialists teach our students and conduct practical seminars. But by early March, the Coronavirus pandemic impacted these plans and made group training impossible. As a result, we have only benefited from a remote model, where each teacher works with one student. This allows us to teach not only talented young people from Tbilisi and the surrounding territory, but also those who live far from the capital. We are currently teaching up to forty students and hope to increase the number of students tenfold with the involvement of donors. These hundreds of graduates will become the basis of the Georgian IT industry and will bring tens of millions of dollars into the Georgian economy.

As the experience of Ukraine and Belarus shows, thanks to each IT specialist, five more jobs are created; often these are as waiters, shop assistants, builders, and laborers. The main thing is that through their example, IT specialists motivate their peers to strive for better.

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eastern mind western values

The mission of the Strategic Center, **StrategEast**, is to strengthen the rule of law and the protection of private property in the Eurasian and Baltic countries, from a natural resource-based to a knowledge-based economy.

The center operates in 14 countries that have declared independence since the fall of Soviet Union. These are: Georgia, Armenia, Azerbaijan, Belarus, Ukraine, Estonia, Latvia, Lithuania, Moldova, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

StrategEast regional offices are located in Georgia and Ukraine. However the organization is based in the US.

What is the financial model of this center? Who pays the tuition fee?

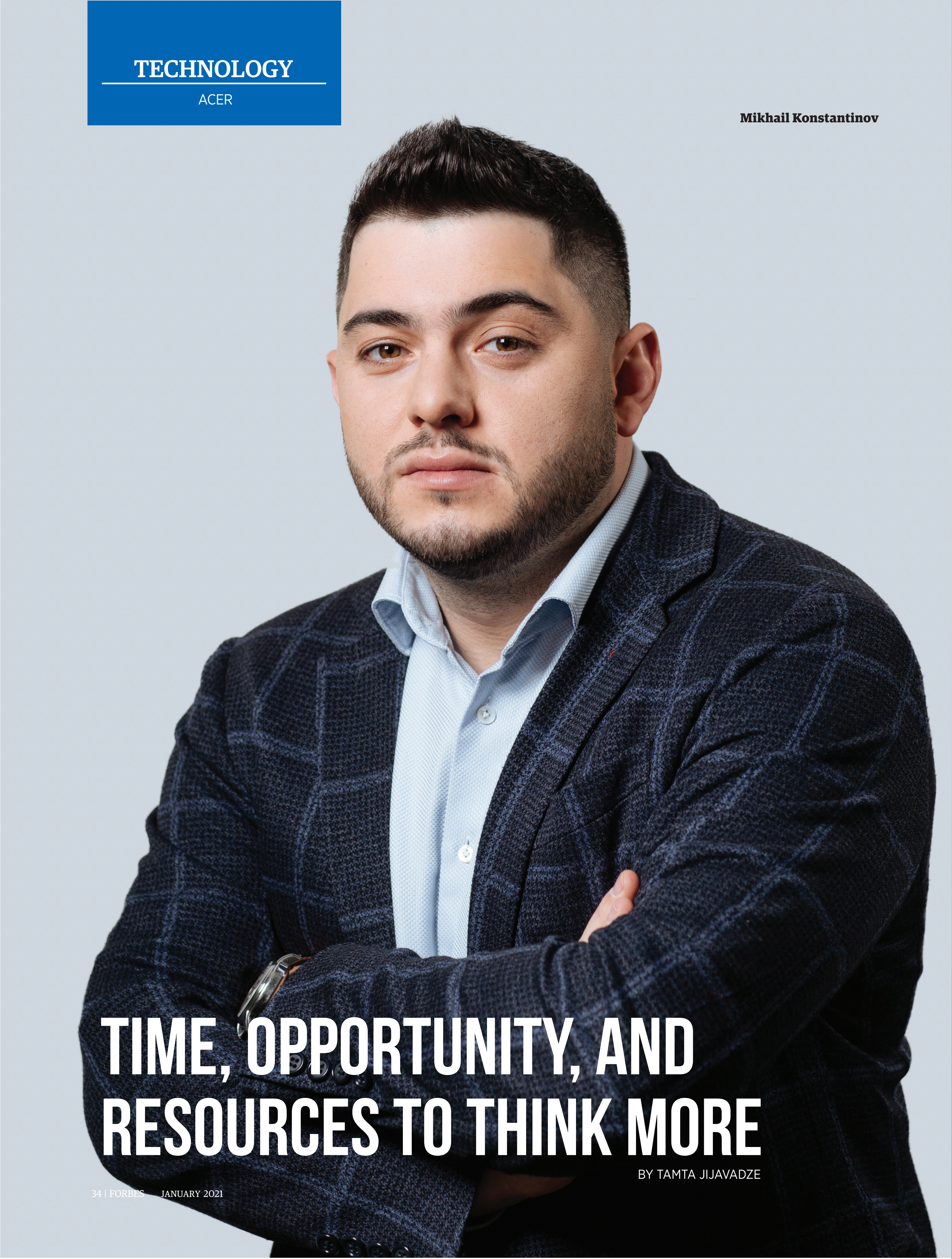
The tuition fee for the first group of students was paid by the StrategEast Center because it was important to us not to lose any time and to start implementation as soon as possible. In the second stage, we expect support from international donor organizations. However, our program is designed so that in two years it will become financially sustainable and tuition costs will either be covered by the students or by the companies that hire students themselves. At the same time, we will maintain a system of scholarships to help talented young people from the regions and families with a low socioeconomic status. In addition, our program aims to address important issues such as gender equality and the inclusion of ethnic minorities.

In the near future, StrategEast together with a major international partner also plans to launch a startup development program in Georgia, and, thanks to this program, we will be able to significantly increase the volume of foreign investment in Georgia.

How would you summarize why the digital economy is a priority for Georgia?

The IT industry is not just a budget increase mechanism for Georgia. Today, any country that is unable to integrate into the global digital economy will lag behind. Of course, both agriculture and tourism are and should be a priority for the Georgian economy; but the future of Georgia, as a country of wise and ambitious people, is still in the knowledge economy. F

Mikhail Konstantinov



TIME, OPPORTUNITY, AND RESOURCES TO THINK MORE

BY TAMTA JIJAVADZE

Grigory Nizovsky

The COVID-19 crisis has affected the business sector worldwide. The PC industry bucked the trend and was one of the few sectors that experienced a growth in demand in 2020. This was noted by Acer, one of the leading companies in the industry, who found opportunities in the pandemic. What trends did they see in the global consumer market? Vice President of Acer Group Grigory Nizovsky and Managing Director of Caucasus, Central Asia, and Turkey Mikhail Konstantinov talked to Forbes Georgia.

How does Acer assess the challenges of the pandemic? Also, what opportunities did 2020 give your brand?

Grigory Nizovsky: Working or studying remotely, gaming, and any other types of online entertainment were key drivers throughout the whole year worldwide. However, the market varies according to different countries and regions. Demand for mobile PCs in Western Europe showed a growth of 30%, Eastern Europe was in the range of 40%. There was similar growth in North America; Africa, Asia Pacific, Central Asia are different - their markets are flat or even declining.

For us, the biggest challenge of 2020 was supplying the market. First, at the beginning of the year, supply was disrupted by the closing of assembly factories in China. This issue has been resolved but the challenge the industry is facing now is a component shortage. The PC market worldwide has been declining over the past eight years with a forecast to continue declining. The production capacity of key components was fine-tuned to the falling demand, so when the demand trend reversed, the industry faced capacity issues. Other important resources such as commercial insurance and shipment capacity from the East to the West were also scarce. Another important thing worth mentioning is the change in the confidence of the industry.

Overall, despite all the obstacles faced in 2020, this year gave us time, opportunity, and resources to think more about midterm development and growth, while maintaining supply and shipments were key challenges.

As a result of the global economic crisis, the consumer's purchasing power has decreased not only in Georgia but also in most countries. How does Acer deal with this challenge?

Grigory Nizovsky: Not only did the purchasing power go down, but also the price of PCs in local currencies in many of our sub-region countries went up significantly. This year, PCs, and particularly notebooks, went through the biggest transformation since 2012, when smartphones replaced them and became the new “trendy gadgets”. In 2020, PCs acquired new meaning again. It became clear to consumers that with the new pace of life, smartphones cannot serve as the only window into the digital world. Nowadays, we are seeing a transition from one PC per household to one PC per each family member, and businesses investing heavily in mobile workplaces and cloud infrastructure. With that being said, notebooks came back in fashion, and accordingly, the demand that does not depend on price, increased.

Every year, Acer supplies notebooks to thousands of first graders in Georgia. What does this project mean to you?

Grigory Nizovsky: The notebooks are specifically developed for educational needs. In addition, our modern light notebooks have extra reliability features for children, such as resistance to water and to free fall from the height of a school desk. This is a public project and public tender with quite a straightforward structure - the deal does not make much commercial sense for the supplier and serves only educational purposes. I am not exaggerating when I say that for me and many other Acer employees involved in it, the project carries an important message. It gives us the feeling of the embodiment of our mission: "Breaking the barriers between people and technology", which was formulated more than forty years ago and has been reiterated during numerous corporate events ever since. I am proud to say that with all the challenges that the industry faced with component supply in 2020, all notebooks for first graders were delivered to Georgia on time.

You are the Managing Director of Acer in the South Caucasus and Central Asia. What are the similarities and differences between the countries in these regions in terms of the computer technology market?

Mikhail Konstantinov: The region includes several countries with different economic potential and different social standards; of course, in some respects, differences are significant between country markets, for instance stable tax and customs rules, or exchange rate volatility. As a result, IT product demand is appropriate to each country's economy and development. Other important drivers are the mindset and consumption culture differences: For example, in Caucasian republics and Central Asian countries, it is crucial for the customer to see and touch the product in-store. During the pandemic, our partners and us stepped in to be flexible in our method of communicating with our clients. In countries like Georgia, Kazakhstan, Kyrgyzstan, and Turkey where online shopping is past the development stage, the e-tail system worked out easier than the rest of the other countries in the South Caucasus and Central Asia.

Which of these countries is the most active? Which market has the largest share?

Mikhail Konstantinov: If we talk about market share, Georgia, Kazakhstan, and Azerbaijan are the most remarkable countries, not only on a consumer level but also on commercial and tender projects as well.

The paradigm change has become similar for almost all countries in the region: a laptop has become a prime necessity. Because of the high demand and need for this product, in some countries, for example, Kazakhstan, banks have been actively lending to the population, helping them to purchase a laptop for study or work. In parallel, Kazakhstani, Georgian and Azerbaijani government budgets were redirected to a massive increase in education digitalization. Throughout the whole year, in the region we were actively working with education sectors and attended all the main tenders delivering products for both students and teachers.

What are the specific trends in Georgia in recent years in terms of sales growth?

Mikhail Konstantinov: In Georgia, our consumers are quite educated in IT products, and therefore, differentiate between products according to their needs. In recent years in the consumer market, ultra-books have become the leader in sales, which proved their indispensability and effectiveness in comparison with a smartphone or tablet. While the commercial sector also has shown a shift from classic desktop to notebooks and a huge increase of accessory sales, such as headphones, web cameras, keyboards, monitors and desk chairs. In addition, the commodity bundle such as education and gaming product lines has skyrocketed.

THE ROAD TO INNOVATION IN FOODTECH – DINESPACE

"Time is our most valuable resource" -with this in mind, five individuals from Georgia with diverse educational backgrounds and wide-ranging professional achievements made their way into the field of innovative food tech. DineSpace is an app that allows customers to have a smoother and more enjoyable dining experience. Company CFO, Ioane Chikovani, and CTO, Giorgi Tskhovrebadze, talked about the company's achievements and future plans with Forbes Georgia.

BY ANA TAVADZE

Michael
Chief Executive Officer

Tengiz
Chief Product Officer

George
Chief Technology Officer

Ioane
Chief Financial Officer

Christofer
Chief Operating Officer

When, where, and how was the initial idea born? How did you get from the idea to the actual concept that DineSpace represents today?

Ioane Chikovani: We were inspired by what Travis Kalanick, the CEO of Uber, said: "If you can give people their time back, you are providing some kind of magic to your customers." That is what DineSpace is all about.

Michael, our CEO, initially came up with pre-ordering a meal at a restaurant, sparked by the frustration that people today experience waiting endlessly before food is ordered and served. Building on this, we wanted to solve the problem of how painful it isto arrange group meals – finding a place, choosing the food, and splitting the bill. Our shared desire to make the dining-out experience seamless was what led to us founding DineSpace.

What consumer needs did you identify before creating the app?

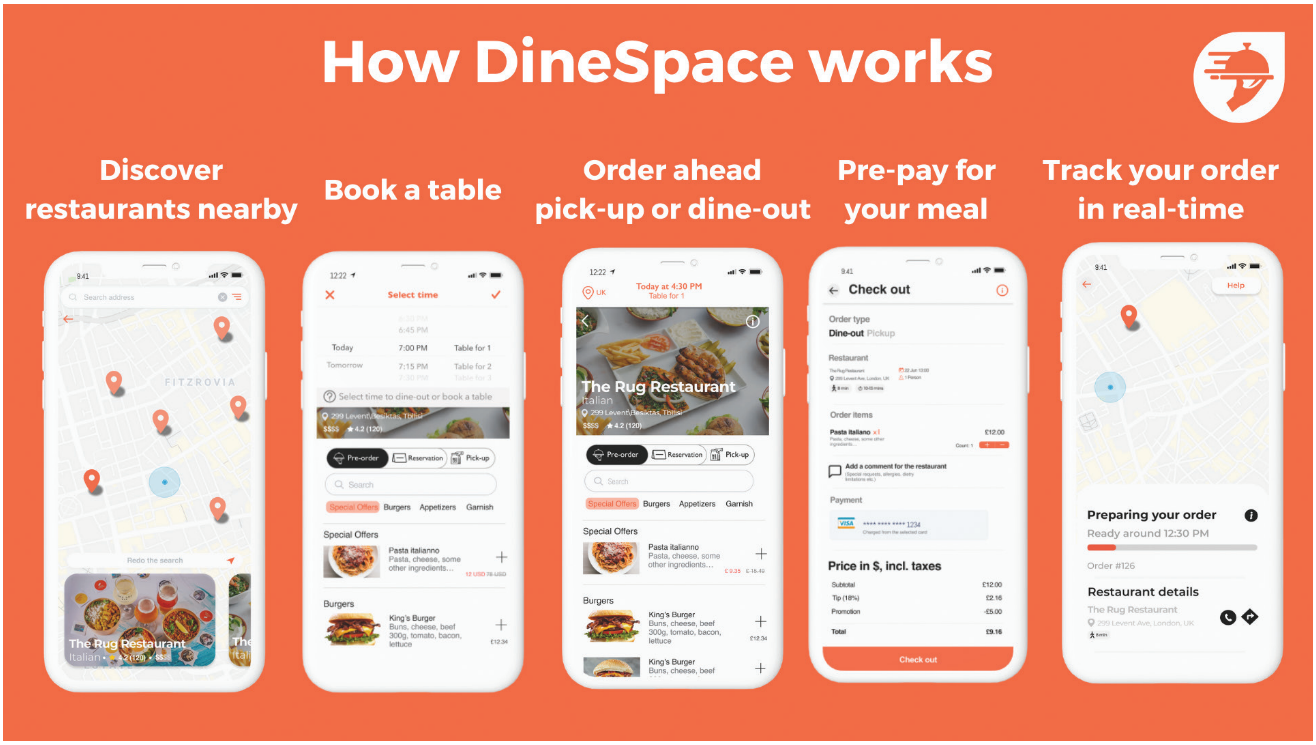
Ioane Chikovani: DineSpace is a fast-growing food tech startup; our app enables individuals and groups of people to pre-order and pre-pay for meals while dining out. This helps people save time by eliminating the wait of ordering food, being served, and getting the bill. Meanwhile, restaurants benefit from increased table turnover, simpler inventory management, and receive more traffic through additional exposure on our platform.

How does DineSpace differ from other tech startups in this space? What's DineSpace's competitive advantage?

Ioane Chikovani: Right now, the European market is divided into three different segments: delivery/pickup, reservations, and pre-order. We will create a strategic advantage by combining the reservation and pre-order functions into one app. We are combining all these different segments into one, thus creating cost-saving synergies for restaurants and customers.

I imagine that one of the key challenges is determining current trends of consumer behavior for your target group? What can you tell us about your strategy regarding changing and adjusting customer behavior?

Ioane Chikovani: DineSpace is technically for anyone and everyone who does not want to waste time waiting for their meal and the bill. With this in mind, we identified busy diners – such as corporate employees – as our key customer segment, given their tight schedule. Most professionals in the city waste up to 30-40% of their dining time waiting for their food and then



paying for it, leaving much room for optimization. We want to save that valuable time and fill it with our customers' preferred activity.

Additionally, we are offering an entirely new feature: Group Dining. This is currently nonexistent in the market and solves a major customer pain point – to organize group meals collectively and efficiently. The added social element in arranging group meals, pre-ordering, and bill splitting is important for another key target segment of ours – students. Our user experience enables us to simplify the customer journey when choosing the restaurant and provides businesses with a platform to promote their venues further.

Your management team consists of individuals with diverse educational backgrounds and wide-ranging professional achievements. In what ways have your personal experiences helped shape the company?

Giorgi Tskhovrebadze: We have five core founding members. Our CEO, Michael, is a University of Exeter Finance Major who previously co-founded a business process outsourcing company with Ioane. Ioane is the CFO and a University of Sussex Finance Major who serves as a Deputy Director at Schirnhofer Georgia Supermarket chain. Tengiz, our CPO, graduated from the University of Cambridge, worked at McKinsey London, and founded a startup that had a valuation of over $300,000. I am the CTO, and I am a University of Toronto undergraduate and participant in the Rockstart Accelerator in the Netherlands, which raised $100,000, and was featured in the Ecole Polytechnique Annual report. Christopher, our COO, is majoring in Economics at the University of Bocconi in Milan. He co-founded the largest international student-led research organization, a global partner network of over thirty-five universities. He also has work experience at UniCredit in Munich. We are growing the team rapidly. Our team of thirteen is currently focused on three directions: product development, expanding our partner network, and fundraising. We are growing rapidly. Last week, three new members joined our B2B sales team to help us with outreach to restaurant partners.

Have you identified some areas of corporate

social responsibility that DineSpace might want to resolve?

Giorgi Tskhovrebadze: Let me tell you some shocking numbers. 600,000 tonnes of food is wasted each year in the UK. For every meal eaten in a UK restaurant, nearly half a kilo is wasted. This costs UK restaurants around £682m per year.

Our app helps restaurants massively with inventory management, and so we are helping to tackle this problem. The other issue we are accounting for is that busy diners have one thing in common: their plans can change in an instant, making a pre-ordered dinner redundant. We try to tackle this issue by offering our customers reasonable cancelation times. However, for those reservations where the restaurant has already started food preparation, we will implement a system, which will enable the restaurants to redistribute this food within the community and not let it go to waste.

Our priority is to avoid food being thrown away, especially when poverty is still a problem globally. It will be up to the restaurants to sell the food at a discount or give it away for free.

We really hope that restaurants will join this wonderful initiative because it is a straightforward way to build a sustainable business and give back to the local community.

Furthermore, we plan to dedicate a separate category for restaurants offering sustainable and organic food from nearby sources to promote local farming and healthy eating habits.

There is approximately two months left till you launch the app. What have you already achieved? What is the most important feature of the app that you are currently working on?

Giorgi Tskhovrebadze: We already won the European Fund for Southeast Europe (EFSE) & BTU pre-accelerator with a 10,000 GEL cash prize, and more recently gained Georgia's Innovation and Technology Agency (GITA) 15,000 GEL grant. Consequently, the University of Sussex and the University of Exeter will be celebrating us and will feature us in their newsletter and on their social media platforms, which will greatly boost our traffic within the regions of Sussex, Brighton, and Exeter.

We have already brought 60+ restaurants onboard pre-launch, which is due in a month or two as soon as UK cities relax their COVID-19 measures. Initially, we will be launching in London, Exeter, and Brighton.

Our focus is on expanding our development team to flesh out the DineSpace web and mobile app.

How will you raise the necessary funds for your company's development? Do you have a vision of where you want to be, let's say, in five years?

Ioane Chikovani: We are actively fundraising to help fuel our rapid expansion, talking to investors in the UK, Germany, Estonia, and Georgia. They have shown interest in the massive upside potential that will come from disrupting this huge market.

We have a strategic roadmap in place to raise $200,000 to $500,000 through a variety of grants, accelerators, and investments in the coming year. These include accelerators in Germany and the UK and will capitalize on the excellent startup incentives in place from GITA.

We think the work being done by the likes of Enterprise Georgia, GITA, and the Bank of Georgia (in bringing the accelerator 500 Startups to Georgia) has had a profound and lasting impact on Georgian startups' ability to thrive. We look forward to making the most of the new, exciting, and dynamic scene being created here.

The app will initially launch in the UK. Do you plan to expand into other countries, for instance, Georgia?

Giorgi Tskovrebadze: After establishing ourselves in the UK market, we are planning to expand into Europe. As of 2017, the eating out market in Europe was £279.5bn, growing at a CAGR of 5.1%.

Notably, we see huge potential in Germany. One of our co-founders Christopher, has lived in Germany for most of his life, so he understands the culture and can clearly see how DineSpace would improve people's lives in Germany. We are not planning to enter the Georgian market in the immediate future, but it is definitely on the horizon.

COVER STORY

LIFE WITHOUT LIMITS

An environmentalist, an emigrant, a war child, Georgian that found fame abroad, the founder of the world-famous brand VETEMENTS - that is Guram Gvasalia, and let me add...Erudite and out of the box thinker and maybe a future president of Georgia, as who knows what comes next?!

Forbes Georgia interviewed Guram Gvasalia, Founder of the perpetually intriguing VETEMENTS. In this interview, Mr. Gvasalia touched upon several topics, including the impact of the global pandemic on the fashion industry, the performance of VETEMENTS during 2020 and running a family business without Demna.

BY MADONA GASANOVA
PHOTO: NARYA ABHIMATA

At the moment, I'm seeing Covid-19 statistics more often than VETEMENTS' new collections. That is why I am going to start our interview with the global pandemic and its impact on the fashion industry. Is the industry facing an "existential crisis", like many experts believe?

Yes and no. In life many things depend on how you build your fundament. If your house is built well, is planned thoughtfully and is made out of the right materials, it will sustain any strong wind, even a hurricane. If it is built out of cardboard, it will have little chance of surviving even when the wind does not blow that strongly.

In a world full of waste, many industries, including the fashion industry have been producing more and more, which at the end of the day, no one needed – this was a reality, which you have long objected to. Are you expecting a reduction in overproduction after the pandemic?

No person needs so many clothes as human beings consume today. Most people buy new clothes not because they have nothing to wear or their shoes have holes in them, the reason they buy clothes is psychological.

The clothing industry is very damaging for the environment and is one of the many causes of global warming. However, you need to differentiate between the high-street industry that produces billions of clothing items in places with low wages and bad working conditions, and the luxury industry that makes limited production by highly skilled artisans.

Do we need the high-end clothing in order to survive? For sure not. Will people continue to buy clothing after the current situation in the world has improved? The answer is yes and they will buy even more.

The reason for that is that at the moment people are getting hungry for certain emotions, experiences and feelings, they will want to compensate those as soon as they can. If you observe well, you will see that after long fasting before Easter, most people will stuff themselves the minute the Easter starts with what they were not permitted to eat during the fasting period. The consumer buying behavior follows the same pattern. In general fashion works on a very deep psychological level, the level that is usually beyond logical thinking and understanding.

What are the main learnings from Coronavirus for VETEMENTS and the fashion industry overall?

In life it is always good to be prepared for different scenarios of what could happen. When you play chess, you learn to calculate many possible variables and decide for the comparably best option. We learnt that if you work hard enough, you will always find the right solution. We have adapted our business model, improved our supply chain and strengthened the relationship with our manufacturers and retail partners. We managed to actually increase our sales and will be finishing the year with a substantial growth in comparison to the last years.

How did you run VETEMENTS during the pandemic?

If a machine is well oiled, it will continue to work well. As long as you and your team are dedicated to what you do, have a goal and truly believe in the same thing, wearing a protective mask and having to stay in the comfort of your own home, have little influence on your work. There is an adaptation you need to go through, but nothing major to be going crazy about. If you hurt your right hand, you can still use the left one until the right one has healed.

Many people especially business representatives believe that restrictions imposed during the global pandemic were human rights abuse. Would you agree?

Life is life, and being a war child, I did see things that were much worse. Spending extra time with your family is a gift. Humans have become so busy without realizing that sometimes doing less is actually doing more. Albert Einstein once said there are two ways to live your life, one is as though nothing was a miracle, the other is as if everything was a miracle. Life is a miracle. Let`s look at everything that comes our way, as such.

You used to insist that you are simply following your instincts and logic as you move your company forward. In which direction are your instincts and logic directing you during the current health crisis?

In life a very useful thing is to switch off your inner voice and follow your heart. Your heart

VETEMENTS FW'20

always knows what is the right decision and which direction to go, just often the inner voice is so loud that it doesn`t let you hear a bit of your heart. By switching off the inner voice, you will start seeing the world outside of your head. By learning to see the world outside of your mind, you will better understand yourself.

Try to swim in a river against the direction of the flow. You will probably spend a lot of energy and still not move in the direction you were trying to head to. It is so much better to swim with the flow and gently move with the water.

"I feel that I have accomplished my mission of a conceptualist and design innovator," was an official statement of Demna when leaving VETEMENTS. What has changed at VETEMENTS since Demna has left you?

Everything has its time. The world of fashion is very exhausting and it sucks out creativity. Every designer has an expiration date working for a company or on a project. Look at Raf Simons, the true icon of our times: he did such an amazing job at Jil Sander, moved to Christian Dior, went to Calvin Klein and is heading Prada now. All those working experiences were run-

VETEMENTS FW'20

ning for a few years. Prada is also probably not his last destination. At a certain point any designer can end up at Chanel or at Zara. Or anywhere in between. Who knows what comes next?

How did Demna estimate the VETEMENTS' first show without him, which was held in January 2020?

That is something you might probably need to ask him.

In 2017, you were proud to state that VETEMENTS was a family-run business planning to stay a family-run business. Many things have changed in the last two years. What was your reaction regarding Demna's decision to leave the company, as a brother and as a CEO?

VETEMENTS started as a collective of different talented people coming together. Everyone brought something to the table. It was important to glue those talents together, some of them became disposable, others still have the vision and are the driving force behind the company.

We work as a family and VETEMENTS is and will remain a family-run business as long as I`m there to take care of it.

What are the advantages and disadvantages of a family business?

Trust is the biggest advantage of having a family business, knowing that no matter what, the family is who you can trust the most. In life once you concentrate on the advantages the disadvantages get blurry, fade and disappear.

Let me ask you about your book 'Size Zero', which explains how to go back to a state of zero and how to start living life with zero limitations. Living without limitations sounds good, and it is easy to say, but what about in today's society?

We are born as part of a society and as long as we live with people surrounding us it will be always a part of our lives. To live life without limitations, it doesn`t mean taking a hammer and going crashing cars outside, it means to live life without limitations in your mind.

When we are born there are programs put in our heads of who we are and how we are supposed to behave. These programs are helpful to be a part of a community, however they also put limitations on to what one can do in life. There are no bad or good programs. Every program puts a limitation. If you tell your child he or she is smart, you are taking away from them a possibility to become a genius.

Accept people for who they are. Accept yourself for who you are. Accept the society the way it is. And always smile, at least on the inside.

Do you have any plans for your next book?

There will be a next book, probably more than just one. And when its time comes, the book will write itself. Spirituality is a very serious subject and it needs to be approached in a right way. Fashion drags you down in terms of Spiritualty, as it´s very materialistic and you need to decide when is the time to do what. The now always defines itself.

Did VETEMENTS reach a limit to its growth, which you imposed on your company in order to protect it from growing up as an "ugly duckling"?

We are now wrapping up our teenage years and turning from an ugly duckling into a young adult with strong opinions and a truly clear point of view.

ACCEPT PEOPLE FOR WHO THEY ARE. ACCEPT YOURSELF FOR WHO YOU ARE. ACCEPT THE SOCIETY THE WAY IT IS. AND ALWAYS SMILE, AT LEAST ON THE INSIDE.

What are your plans for 2021?

We are planning to continue working, further building and strengthening the brand. In addition to it we are going to introduce a couple of new projects, not related to VETEMENTS.

What would you suggest to those Georgians that wish to achieve success abroad?

Georgian culture is phenomenal but it also makes us more relaxed about many things in life. Maybe because we can always count on our friends and family. Relationship is not something you can count on in Europe, you are on your own and the only thing that can help you is hard work and dedication.

In general, it is very important to have a clear picture of what you want in life. And what you want cannot be a suitcase full of money. Money is just a means to a goal, but should never be a goal itself. Dream about having a nice house, a career. Dream about what you need that money should buy. Gold buried in your backyard, is nothing else than stones.

What would your life be like if you would have stayed in Georgia?

I love my country and I`m very proud about where I come from. It gives me a lot of strength and a strong sense of survival. "What if" is never a good question. If something happens, it happens for a reason, as a man proposes and God disposes. However, if I stayed in Georgia, I would probably be running for President.

CEO

MIKHAIL LOMTADZE

THE TWO BILLION DOLLAR MYSTERY BEHIND THE OWNERSHIP OF LONDON-LISTED KAZAKH FINTECH KASPI

Last month, Kaspi.kv, the retail and fintech unicorn from Kazakhstan, made headlines around the world after a successful IPO on the London Stock Exchange at a $6 billion dollar valuation. It was celebrated as the largest international tech IPO in London of 2020.

BY DAVID DAWKINS

But Kaspi is not a traditional tech startup with hungry, disruptive founders and hard driving investors. At the heart of Kaspi is a deal among three men and a private equity fund involving billions of dollars that-despite scrutiny from the London Stock Exchange, sponsors and regulators-raises a whole host of questions.

The two most important players at Kaspi are its chairman, Vyacheslav Kim, and CEO Mikhail Lomtadze, whose respective 25% and 23% stakes are currently worth around $2 billion each. But, working alongside Moscow-based private equity fund Baring Vostok, the journey the duo took to become the largest individual shareholders of the company is filled with plot holes.

The largest of which features one Kairat Satybaldy, a former investor and the politically powerful nephew of Kazakhstan's former president Nursultan Nazarbayev. Satybaldy claims to have walked away from Kaspi in 2018, unloading a very similar sized stake to the one now owned by Lomtadze.

THE DEAL

In what's described by a Kaspi spokesperson as part of a "large transaction," Kim spent around $390 million buying Kaspi stock in 2018. Then, according to the prospectus, he transferred shares to Lomtadze that at the time were worth an estimated $500 million, in exchange for a "certain non-cash consideration" in December 2018 "pursuant to a long-standing arrangement encompassing their various business interests."

Added to a 9.9% stake given to Lomtadze by Kim (as part of the same "arrangement") prior to 2017-Lomtadze was granted a total stake of 31% in Kaspi.

In 2019, Lomtadze's ownership dropped to 29%; it appears as though he may have sold part of his holding to Goldman Sachs, which acquired a 4% slice of the company that year. Lomtadze now owns 23% of the company, according to filings, worth $2.2 billion.

In a statement to Forbes, a Kaspi spokesperson confirmed the deal, which was made between Lomtadze and Kim in 2007, but said, "It's not correct to say that Mikhail was just given his stake." Lomtadze "built" Kaspi, the spokesman says, adding that "it's quite common for entrepreneurial founders to own large equity stakes in their businesses." But Lomtadze is not a founder. He arrived at the bank that would become Kaspi as its CEO following an investment in the bank by Baring Vostok, where Lomtadze was a partner.

The spokesman for Kaspi did not explain how Kim came up with hundreds of millions of dollars to buy Kaspi shares, nor on the exact terms of the 2007 deal that made Kim and Lomtadze equal partners. Kaspi said that it couldn't comment on Kim's "specific financial arrangements" but added that "[t]he increase in Mikhail [Lomtadze]'s stake is due to the formalization of his partnership agreement with Vyacheslav [Kim] and not related to his annual compensation."

Kaspi confirms that it took around 13 years—from 2007 until this year-for Kim and Lomtadze to "formalize their shareholder agreement." It also says that because the company didn't seek external capital or pre-IPO funding, other than an investment from Baring Vostok in 2006, there was-until now-no need to make the "agreement" formal or public.

Addressing the uncertainty about why an agreement between the pair was not made formal until "the very last moment," Lomtadze claims in an interview conducted by a partner at PWC and published Tuesday on forbes.kz (Forbes Kazakhstan, an independent licensee of Forbes) that the two men's relationship was one of "complete trust and chemistry."

KASPI CONQUERS KAZAKHSTAN

Kaspi's mobile payments and banking app is used by around half of Kazakhstan's 18 million people—and in less than a decade, the company has helped begin weaning the country off using cash, claiming in September that daily active users of the app had increased 172% over the prior year. Kaspi says it now accounts for 68% of all electronic transactions in Kazakhstan, a payments footprint almost twice the size of all its competitors combined, including Visa and Mastercard. "People saw how easy it made their lives," says Dr Atanu Rakshit, assistant professor of economics at Kazakhstan's Nazarbayev University.

With close ties to Kazakhstan's government,

Kaspi CEO Mikhail Lomtadze (L), chairman Vyacheslav Kim (R)

Kaspi has also emerged as the country's unofficial national online bank for paying taxes and fines, assuming a role that would otherwise be filled by the civil service or a government department, and further driving new user growth across the country. It even helped distribute social benefits during the pandemic.

Revenues grew 32% to $740 million in the first half of 2020. Profits have jumped too, up 50% to $286 million, while payment transactions hit 718 million for the quarter ending September, Kaspi announced, up by 212% year-over-year, as their app quickly conquered the country during the pandemic.

Although Kaspi's success in Kazakhstan is clear, what remains unclear is how Kaspi's puzzling ownership changes passed muster with the powerful institutions scrutinizing Kaspi's public listing, namely book runners Morgan Stanley, Citigroup and Renaissance Capital, the U.K.'s Financial Conduct Authority and the London Stock Exchange. The concerned parties all referred Forbes to investor relations at Kaspi.

LOMTADZE, KIM AND KASPI

Kim, described in a Kaspi press release as a "mathematician and physicist by training, but an entrepreneur by calling," found success in retail

Kazakhstan's former President Nursultan Nazarbayev (L) and Russia's President Vladimir Putin shake hands

mainly through launching home electronics chain Planet Electronics, which he exited in the mid-2000's, according to a Kaspi spokesperson, around the time Kaspi "became his principal investment." Planet Electronics shut down in the late 2000s. Kim is also an investor and chairman of the supervisory board of supermarket group Magnum, described by a local news agency in April as the largest chain in Kazakhstan.

In 2002, Kim, who was 32 at the time, bought Kaspiyskiy—then a recently privatized bank—for an undisclosed sum. "It might have been a bit naive, but buying a bank was a big trend. Every successful entrepreneur was buying a bank, so we did too," he was quoted as saying in a company statement in July 2019.

Lomtadze, who hails from neighboring Georgia, speaks English and is the public face of Kaspi. One of his country's earliest free market fundamentalists, Lomtadze attended Georgia's first ever business school before starting an auditing firm in 1995 and then hopping over the pond for Harvard Business School. He graduated in 2002, the same year he met Michael Calvey, the American founder of Baring Vostok, in New York. "I don't need any salary," Lomtadze says he told Calvey at their first meeting, speaking to Forbes from Almaty in early November on a video call. "I just want to work with Baring Vostok." Lomtadze subsequently joined Baring Vostok and became a partner in 2004.

In 2006, Baring Vostok, invested an undisclosed amount in Kaspisky (bank), leading Lomtadze to join forces with Kim in 2007. They rebranded Kaspisky as Kaspi the following year. The duo has since made at least five additional investments in Kazakh businesses, including companies in bill payments, car retail, and online classifieds. By June 2020, Kim held around 31% of Kaspi, while Lomtadze held 25.9%, according to an audited financial statement.

KAIRAT SATYBALDY

The third man with an important connection to Kaspi is Kairat Satybaldy, the nephew of Kazakhstan's former longtime president Nursultan Nazarbayev. Often described as the son Nazarbayev never had, Satybaldy is a leading figure in the ruling Nur Otan Party, and a member of the country's business and political elite.

Satybaldy claims to have first acquired a stake in Kaspi in 2015, and then became one of the three largest three shareholders alongside Kim and Baring Vostok. According to Kaspi's company accounts, Satybaldy owned 30% of the firm as of December 2017, while Kim owned 21% and Baring Vostok 38%.

Satybaldy then appeared to cash out prior to Kaspi's failed 2019 London IPO attempt. This year's Kaspi IPO prospectus shows that between July and September 2018, Satybaldy (spelled Satybaldyuly in the document) unloaded his entire shareholding in the company through a series of sales on the Kazakhstan Stock Exchange (KASE), and completed his exit on October 1, 2018. (The company was listed on the Kazakh stock exchange but had just four main shareholders.) The prospectus shows that this is the same period during which Kim bought and "transferred" nearly 39.9 million shares to Lomtadze.

Kate Mallinson, associate fellow at London-based policy institute Chatham House, says the movement of "one stake from one shareholder to another with little explanation suggests a typical Kazakh playbook [of] corporate behavior." Adding, "If Satybaldy's name had been on the ownership [this year], red flags would have alerted any financial institution interested in the listing. Behind the scenes, the extended Nazarbayev family own most of the banking sector and Kairat [Satybaldy] is one of the most influential economic actors."

Despite stepping down as Kazakhstan's president in 2019, Nazarbayev remains the single biggest source of political and economic power in the country, says Mallinson, describing Satybaldy as a "trusted nephew" of Nazarbayev and "one of the most powerful players behind the scenes in Kazakh elite politics." In other words, Satybaldy is a politically exposed person and would have drawn scrutiny from regulators if he remained a controlling shareholder ahead of the IPO.

Dosym Satpayev, a director of the Risk Assessment Group, an Almaty-based consultancy firm, says that the "point of view" among geopolitical analysts in Kazakhstan is that "the departure of Kairat Satybaldy from Kaspi Bank was formal and is precisely connected with the IPO, since the presence of Kairat Satybaldy among the bank's shareholders could negatively affect the bank's reputation during the IPO."

Satpayev suggests, "Kairat Satybaldy transferred (or sold) his shares to other shareholders" and these shareholders "may" have "entered into a safe agreement with him that, as nominal owners of the asset, they will take into account his interests and return the shares upon demand to the true owner." Satpayev suggests that Satybaldy could become a shareholder of Kaspi again, using an offshore entity to do so. Satybaldy could not be reached for comment. The Kazakhstan embassy in London described Satybaldy as a "private citizen" and referred Forbes to direct inquiries to Kaspi.

A Kaspi spokesperson tells Forbes that Satybaldy was a "financial investor with no direct involvement in the company" and has "no connection in any capacity with the company now." Satybaldy was reported by a Kazakhstan news website in April 2019 as stating that his "investment strategy" is to "invest for three years on average" and he "fully exited from Kaspi.kz, selling my stake to the company and other shareholders" in 2018.

Kaspi has long maintained an open dialogue with top politicians in Kazakhstan and Kim once served as an advisor to the prime minister. "In emerging markets, everything is relationship-driven," he said in 2019, speaking about Kaspi's private-public position in a company statement. With such a connection to the political center in Kazakhstan, it remains possible that Satybaldy has not completely stepped away from Kaspi, although Kaspi refutes this allegation.

A NEW WAY

Gulf Georgia has a new CEO. Craig Kramer brings over thirty years of experience in the oil industry with him.

BY ELENE KVANCHILASHVILI
PHOTO: KHATUNA KHUTSISHVILI

Gulf Georgia's new CEO Craig Kramer, who has more thanthirtyyears of experience in the oil industry, has worked both with small companies and large brand names. He has climbed all rungs of the career ladder –as a consultant,a team leader, a supervisor, the head of a department and as aregional manager. Over the last ten years, Mr. Kramer has held senior positions at companies such as Couche Tard – the Canadian market leader, whichhe helped grow and expand in North America; Rogers Petroleum – a leading wholesale fuel distributor in the Southeast of the United States, where he set up a highly effective sales system from almost scratch and successfully oversaw sales of both branded and unbranded fuel; and Empire Petroleum Partners, which acts as distributor for branded retailerssuch as Chevron, Crown, ExxonMobil, Gulf, Marathon, Phillips 66, Shell, Sunoco, Texaco and Valero. At Empire Petroleum, Craig Kramer was responsible for the Southern United States region, managing more than 350 retail outlets. In March 2019, he further enhanced his already rich job portfolio by becoming the CEO of Gulf Georgia.

In Forbes'original index of the 150 most profitable companies in the country, Gulf Georgia holds a position in the top ten. The company's revenue from fuel sales grew by 28% in 2018, prior to the pandemic. Gulf operates 144 petrol stations and employs 1,300 people across Georgia. Over the last three years alone, the company paid GEL 409 millionin taxes and spent more than GEL 2 million on charitable donations.

It only took Craig Kramer one trip to Georgia to accept the offer from Gulf. However, this was not his first visit here. In 1996, he was involved in the development of the first Western style convenience store/gas station in Gurjaani for the Tbilisi based firm Greco. He stayed in Georgia and trained locals in the management of western-style petrol station. Twenty-fouryears later, he was offered the opportunity to return to the country and become the CEO of Gulf Georgia. Hearrived last year, assessed the radically differentenvironment and accepted the offer.

Craig Kramer admits that many issues have been complicated by the pandemic. However, he passionately believes in the future, knows exactly what customers needand what the company can offer them. Adhering to all the relevant health regulations, Forbes Georgia visited Craig Kramer in his office and recorded the following interview.

You bring thirtyyears of experience with you to Gulf Georgia. What will be your stampas the company's new CEO?

I have the benefit of having worked at numerous companies. I have observed many different management styles and have often been in the various roles that characterize this business. I can, therefore, tell whenpeople are not putting in the maximum effort, which is vitally important for improving efficiency.

As for Gulf Georgia, we are the local market leaders. We have achieved this position by developing an innovative vision and turning it into a reality. I intend to continue this work. It is clear to me that our competitors are now going down thesame route that we did. We will continue to show them the next new path.

Could you describe your company in figures?

We operate the most petrol stations in Georgia and hold the largest market share. We are also one of the largest private employers in the country. We give our employees the opportunity to grow professionally. If a vacancy arises at the company, we promote one of our own employees to enhance staff motivation and engagement.

You have had to accept this position of great responsibility during uncertain times, as we are dealing with the effects of the pandemic. What are your main challenges in this regard?

When I arrived here in March 2019, I intended to stay for a long time, familiarize myself with the company and determine the course of our future development. However, as we all know, things then took a different turn – there was a lockdown, and I had to return to the United States three weeks later. The very fact that I was unable to be here was quite a big challenge.

Is it too early to talk about opportunities?

The fact is that we managed to avoid station closures at a time when our competitors had to make thesesacrifices. We retained all of our frontline staff. I, therefore, regard it as an opportunity that the average Georgian will see us as a responsible employer, and we are extremely proud of this.

We are also proud of the fact that we never turned our backs to charitable causes. Against the background of the pandemic, we supported the government from the very beginning, providing fuel for the doctors. We did not forget about the ongoing programmes, either. For example, we continued to look after homeless dogs. We are also involved in several other programmes, which we do not publicize.

We believe that since our business has been successfully growing thanks to the Georgian public, we must repay them, even at a time when the crisis is affecting our revenue. We have stayed true to our values and will continue to do so in the future by helping not only our shareholders, but also our staff and the country as a whole.

Since you mentioned revenue, we must note that the global oil prices have been falling. How does this affect your business?

To be honest, this is not our biggest problem. As we only sell finished oil products and do not produce anything ourselves, the falling prices do not affect our Industry directly, but the local currency exchange rate does. We buy fuel in U.S. dollars and sell it in Lari. As a result, the devaluation of the local currency creates a significant problem for all of us.

Does the average customer understand this?

Naturally, it is difficult for customers to fully understand this process. They see the global prices falling, but they fail to connect the final price of fuel on the local market to the fact that the Lari has lost 10-15% of its value against the dollar overthe past six months.

Your website states that your goal is to exceed all expectations. What exactly does that mean, and have these expectations changed with you becoming the CEO of the company?

We are proud of this statement and have thought about it a lot. We are leading the Georgian market with the most attractive and convenient petrol stations, best personnel, and best service. However, we are still lagging behindEuropean standards. The progress achieved over the last twenty-fouryears has been amazing, but we now have new expectations, and our aim is to exceed them.

You often talk about the past twenty-fouryears and your changed impressions of Georgia. Is it really as easy to do business here as claimed by the World Bank and other organizations?

It was very difficult to do business in Georgia twenty-fouryears ago. All the vital information was in the hands of several individuals and we had no access to it. There was also no internet to fill the gaps and provide some balance. In fact, transparency of information still remains an issue. However, while I would have given the overall business environment a score of 5 out of 100 back in 1996, today I would give it at least 90. An American firm can now visit the office of the American Chamber of Commerce and obtain all the basic information about applying for a visa, establishing a company, paying taxes and other issues. Twenty-fouryears ago, paying taxes was an extremely complicated process. Now everything is simple and transparent in this regard. Therefore, I agree that doing business in Georgia today is easy and does not come with hidden expenses. Even the problem of corruption, which the country used to drown in, has largely been resolved as far as I can tell, and that is a fantasticachievement.

Could you also say a few words about the future? What can we expect from Gulf Georgia under your leadership?

We are currently keeping our plans secret and will disclose them gradually. At this point, I can only say that we will improve the retail section and open new stores where customers will be able to purchase coffee and ready meals. This is the path that our western counterparts successfully took 10-20 years ago, providing stiff competition to the fast-food industry and offering customers much more than fuel.

Are customers ready to accept such a transformation of your company?

Not only are they ready, but also they are demanding such changes. The opening of the borders has turned Georgians into highly sophisticated consumers. The industry must now catch up with their demands.

Over the last three years alone, Gulf Georgia paidGEL 409 millionin taxes and spent more than GEL 2 million on charitable donations.

We are conducting this interview against the background of the recent elections. What would your message be to the new government? What actions can they take to further facilitate doing business in Georgia for you?

It would be good to see the government enforce the regulations thatit has already adopted. I am talking about imposing the Euro 5 standard on diesel, which would protect both the environment and the consumer. Improving the quality of diesel would also help the government with regards to collecting taxes. It is unfortunate that the implementation of these regulations has been delayed. As the quality of diesel is not being adequately controlled, small companies are importing the kind of fuel that is not good for anyone. This is not simply an environmental issue, or a matter of customer satisfaction. The problem is considerably more complex. Consumers often do not realize that long-term usage of cheaper, low-quality fuel damages their vehicles. They are attracted to lower prices. If we wish to improve the standard of living, it is necessary to implement the aforementioned regulations. Generally speaking, it is better for the government to intervene in business activities as little as possible. However, in this case, imposing regulations would serve to place all market players on an equal footing. So,this is the action that I would expect the new government to take.

MANAGEMENT

ZAZA PACHULIA

FORMER NBA CENTER ZAZA PACHULIA SETS HIS SIGHTS ON EXPANDING HIS BUSINESS INTERESTS

Zaza Pachulia has had one of the unique careers in NBA history on and off the floor.

BY BEN STINAR

The 6'11" 270 lbs native of the country of Georgia played 16 seasons in the NBA. Before that, he played professionally as a 14-year-old in Turkey. He is now a front office member for the Golden State Warriors, wearing many different hats, he says, and ultimately would love to be an NBA general manager.

"Basketball is a business to me," Pachulia told me in a phone interview. "It's entertainment; it's a business, it's very serious."

Within the Warriors, he has spent time on the business side and the basketball side. This past month he spent time helping the organization prepare for the NBA Draft and free agency. Sixteen years in the NBA gave him plenty of intel to run and operate a team from a player standpoint. In addition, on the business side of things, he is just as adaptable. Over the years of his playing career, he took the time to educate himself through college courses and invested in many companies of his own.

"That's why I was taking business classes because I wanted to learn, I wanted to meet the people," he said. "That's why I went through Harvard three times."

This past summer, he says he spent time at Stanford learning from George Foster, an influential sports business professor, and took his classes. While he played with the Hawks in Atlanta, he took business courses at Emory University. Pachulia has been building for life outside of basketball nearly as long as he has been in basketball.

"Since childhood, my mind was wired like that," he said. "My mindset was I want to be a businessman."

Some of his investment portfolios include hotels in his native country of Georgia and Shoot360, which gives youth basketball players an all-new way to practice basketball. He wants what he invests in to make money and help millions of people through a product or a service.

"In every investment, before I get involved or invest, I always see what the mindset of the founder the CEO is," he said. "Is your interest only about making money?"

He takes the role of being a help to people seriously, as illustrated in his real-estate holdings in Georgia's small country. During the pandemic, they kept all 300 of their employees retained. Also, his basketball academy did not have to worry about their job security during the pandemic. All of the coaches remained employed.

"When you're talking about growing, you need to develop your employees too," he said. "It's important to have motivated employees that are willing to sacrifice, willing to commit, they're willing to learn and grow with you."

Being savvy with his money is not something that happened overnight. In Turkey, he made what he considers pocket money, but he started understanding value. Coming over to the NBA, he secured a 4-year $16 million contract by his third season with the Atlanta Hawks. As with most young people coming into a lot of money, fast has its pros and cons. He says he bought things that were not needed just because he could.

Yet, the most crucial lesson came not from wasting money on objects but from a failed investment.

As a 24-year-old, Pachulia took on a courageous journey in starting two restaurants in Atlanta. In his home country of Georgia, the culture revolved around going out and having a good time.

"I was always dreaming; I want to have my own restaurant," he said.

The Buckhead Bottle Bar ultimately failed, and while there was a time when it was a known spot to go to, there was not enough of a plan to keep everything going.

"Everything was colorful; I was not as prepared as I was supposed to be before I started investing in the restaurant," he said.

Thankfully, the losses that came from the failed business venture did cause that big of a dent in his overall financials because he was still playing basketball in the NBA and had a long career ahead of him.

"I'm so glad that it happened," he said. "I'm glad it happened when I was young because I was lucky, I was playing basketball, and I was still getting an income. I learned my lesson there."

Following the food business failures in Atlanta, his on-court success continued, and he landed several more lucrative contracts. Therefore, the lessons took him to greater heights than he would have been before. His hotels have been a success in Georgia, a known country for its wine and historical places. The business plan was more precise, and the venture worked.

"Hotel came after restaurant experience," he said. "It opened my eyes, and I started thinking more."

In the NBA, he played over 1,000 games and won multiple NBA championships. Pachulia always made himself a useful veteran. Every team he played for, he brought toughness and grittiness that is rare these days. While he never averaged double-digit rebounds or over 20 points per game, his presence was vital. If someone met him off of the court, they would think he is one of the nicest people they've ever met; he is a family man, an investor in companies to help people.

However, there were allegations that his on-court play was dirty. When the Warriors played the Spurs in Game 1 of the 2017 NBA Western Conference Finals, Pachulia accidentally contacted Spurs' star Kawhi Leonard as he was shooting. The fall from the impact led to a lengthy injury to Leonard.

Allegations against Pachulia were ruthless after the incident but did not define the person he is in the eyes of anyone who knows him.

"If you want to know who Zaza Pachulia is and you don't know, talk to any of my teammates," he said. "Teammates, coaches, I played over 1,000 games."

No one from the outside truly knows what happened in Game 1 of the Western Conference Finals.

"That was unfortunate moment whatever happened against San Antonio," he said. "That was a freak moment. That's a freak accident."

The man he is off of the floor can be seen by the Warriors not only signing him to play for them during their championships runs but after his retirement bringing him into their front office. In his second year of having an advisor role in one of the premier organizations in sports history, he is only proving more of his worth not only as a player but as a person.

"Give your 100%," he said. "Give your maximum either it's on the court or off the court, and you live with the results. I'm a huge believer of that. My mentality is not going to change."

In the future, he will continue building his business portfolio, spending time with his family and continue working with the Warriors in many different facets.

MADE IN SAKARTVELO

Against the background of social distancing and restrictions on group gatherings, demand for clothing and footwear has dropped considerably in 2020. Export of these items has also fallen, having previously reached record levels in 2019 with an increase of 43.6% making a total of 2,565 tonnes. Clothing produced in Georgia is exported to the wider Caucasus region, as well as Europe and the CIS countries. The Shavdia brand contributes, albeit in a modest way, to clothing and footwear export figures. With the help of buyers, its products are sold in the United States and in the CIS region, as well as in Georgia through their own stores. The story of the brand started with a single sewing machine around four years ago. Trained lawyer Elene Shavdia, who never got to build a career in the legal space, began producing her own clothing and footwear, into which she incorporated Georgian ornaments and Pirosmani-inspired elements. She did not initially view her undertaking as a business, but as demand began to grow, she quickly decided to turn her name into a brand and establish the small Shavdia atelier, which has since grown into a fully-fledged international enterprise.

BY SALOME CHIPASHVILI

Looking at the Shavdia brand before and after the pandemic. What impact has Coronavirus had on your business? How do you work during lockdown?

The Shavdia brand was operating seven stores across the country before the pandemic, now there are only three. You can, therefore, easily guess how this situation affected us. We had to cut costs to stay in the market. This meant having to close four outlets and putting all my savings back into the business. Those funds had been earmarked for expanding the brand, rather than for keeping it alive. However, we soon came to terms with the new reality. In addition to operating the stores, we were also successfully making online sales before the pandemic. As a result, it was quite easy for us to adapt to the changed circumstances. From production to supplies, we quickly brought the whole sales process in order. This took a lot of effort, but we managed it.

How did the pandemic impact sales, and are you happy with your online platform?

Sales can be divided into two parts – before the pandemic, where tourists contributed significantly to the numbers, and after the pandemic, when we had to rely solely on local customers. If we compare the pre-pandemic sales to the current figures, the situation looks so bleak that it is hard to quantify. I would estimate that sales have dropped by 30-50% since the start of the pandemic. As for our online platform, it is operating very well, and we have nothing to complain about.

Were you forced to lay off staff?

We managed to avoid job cuts. We just had to reassign duties in order to retain all our employees. Most importantly, we acquired many new loyal customers and their number is growing each day.

You export your products. In which countries are you represented, and what is the current situation in this regard?

We currently do not have an official outlet anywhere else but in Georgia. However, this does not mean that our products are not sold abroad. We work with numerous buyers from the CIS countries and the United States. Unfortunately, like everywhere else, demand in those regions has also fallen. On the other hand, it has become easier and cheaper to send packages abroad, especially to countries that have a substantial Georgian population, meaning that we have acquired many new customers overseas. This has been one of the few positive aspects of the pandemic.

What determines demand for the Shavdia brand?

First, the fact that it is 'made in Sakartvelo'. Secondly, people enjoy wearing something that reflects their history and culture. We always try to create products that are close to our country's history, culture, and self-expression. You should be able to tell straight away that these items are Georgian – i.e., 'made in Sakartvelo'. We decided to create products with meaning; your very own little piece of Georgia that you can always have close to you. Our message is: "wear your very own piece of Georgia".

Shavdia is a brand designed for the medium and high end. We produce men's and women's clothing, footwear, and accessories. However, we also have

products that are affordable for everyone. Our prices range between 17 GEL and 1,000 GEL. Competition between Georgian brands is quite high, but we have our own signature and a vision that we are determined to follow.

How has the Shavdia brand developed over the years?

Initially, our range of items was relatively small. As demand began to grow, so too did our catalogue. We invested everything we had into this business. Whatever profit we make, we put it back in the business to maintain continuous growth and development.

Finally, a few words about your plans – what can customers expect from Shavdia in the near future?

Our main news concerns our atelier, which we have been planning to expand for a long time already. The new facility will be located on the top floor of a building with a floor-to-ceiling window façade. The views from the penthouse over the city are breathtaking. The enterprise will combine the production of clothing, footwear, bags, and other items. There will be a large showroom with a photo studio. We have started to purchase new production equipment, which will allow us to increase our range of goods and become involved in various types of commerce. The details are confidential for now.

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JAMEL TOPPIN FOR FORBES

As female entrepreneurs and execs increasingly take center stage, Forbes is expanding our annual ranking of the nation's wealthiest self-made women to 100, up from 80 last year. The pandemic has been kind to some, including Zoom Video Communications' finance chief, Kelly Steckelberg, who debuts on the list as shares of the work-from-home staple have quintupled since the start of the year. Others, such as cosmetics whiz Anastasia Soare and the cofounders of skin-care firm Rodan + Fields, have been less fortunate, as the quarantine has hurt beauty brands.

AMERICA'S MOST SUCCESSFUL MEN EPRENEURS

1. DIANE HENDRICKS

$8 billion

SOURCE: Roofing

AGE: 73 • RESIDENCE: Afton, WI

SELF-MADE SCORE: 9

The roofing mogul tops the list for the third year running, thanks to her Beloit, Wisconsin–based ABC Supply, which sold $11.7 billion worth of roofing and building materials last year. Outside of ABC, her construction company is building a ballpark for an Oakland Athletics minor-league affiliate, the Beloit Snappers, while a nonprofit she chairs is creating a new charter school slated to open in 2021.

2. JUDY FAULKNER

$5.5 billion

SOURCE: Health IT

AGE: 77 • RESIDENCE: Madison, WI

SELF-MADE SCORE: 8

The governor of Wisconsin called on her medical-records software company, Epic, this spring for help coordinating pandemic-related communication and services for the Badger State's 6 million residents. The company has also been donating its telehealth and remote-monitoring software. Faulkner, who intends to give 99% of her fortune to a charitable foundation within a decade, started the $3.2 billion (2019 sales) company in a basement in 1979.

3. MEG WHITMAN

$5 billion

SOURCE: eBay

AGE: 64 • RESIDENCE: Los Angeles

SELF-MADE SCORE: 6

The former eBay CEO is wealthier than ever after a 46% jump in eBay shares since the beginning of 2020. Quibi, the mobile entertainment platform she leads, debuted in April. Despite winning two Emmy awards, it reportedly lost some 90% of early subscribers when free trials expired.

4. JUDY LOVE

$4.7 billion

SOURCE: Retail & gas stations

AGE: 83 • RESIDENCE: Oklahoma City, OK

SELF-MADE SCORE: 9

She and her husband, Tom, founded Love's Travel Stops & Country Stores in 1964, when they leased an abandoned gas station in Watonga, Oklahoma, for $5,000. Love's opened 20 new locations in the first eight months of 2020, including its largest ever, in Madison, Georgia. The company, for which Judy serves as executive secretary, has some 520 Love's Travel Stops across 41 states, with estimated revenues of more than $20 billion.

CHANGE IN WEALTH KEY: UP DOWN UNCHANGED RETURNEE • SELF-MADE SCORE: 6 7 8 9 10

5. MARIAN ILITCH

$4.1 billion

SOURCE: Little Caesars

AGE: 87 • RESIDENCE: Bingham Farms, MI

SELF-MADE SCORE: 9

Mrs. I, as she is known, cofounded pizza megachain Little Caesars with her late husband, Mike, in 1959. The company did an estimated $4.4 billion in global sales in 2019, and 2020 could be even bigger. Shares of competitor Domino's have jumped 35% since the beginning of the year as homebound customers have driven up demand for pizza delivery.

6. LYNDA RESNICK

$3.6 billion

SOURCE: Agriculture

AGE: 77

RESIDENCE: Beverly Hills, CA

SELF-MADE SCORE: 8

With her husband, Stewart, she runs agricultural giant Wonderful Co., which had $4.7 billion in 2019 revenue from growing pistachios, almonds, pomegranates and mandarin oranges on 135,000 acres of orchards in Texas, Mexico and California's Central Valley. In September 2019, the couple pledged $750 million to Caltech for climate-change research, the largest gift in the university's history.

7. JOHNELLE HUNT

$3.5 billion

SOURCE: Trucking

AGE: 88 • RESIDENCE: Fayetteville, AR

SELF-MADE SCORE: 7

Hunt pledged $5 million in November 2019 to help build a baseball facility at the University of Arkansas. The state's richest woman owns a 17% stake in publicly traded trucking company J.B. Hunt Transport Services, which she cofounded with her late husband, J.B., in 1969.

8. THAI LEE

$3.2 billion

SOURCE: IT provider

AGE: 61 • RESIDENCE: Austin, TX

SELF-MADE SCORE: 9

Sales of $10.7 billion (2019 revenues) IT provider SHI International, which she heads as CEO, spiked 6.4% in the first half of 2020 as customers like Boeing and AT&T rushed to buy remote-work technology during the pandemic. SHI said in September that it made an undisclosed investment in cloud data-management company mLogica. The South Korean immigrant and her now ex-husband purchased a struggling software reseller for under $1 million in 1989; it eventually became SHI.

Oprah Winfrey

9. OPRAH WINFREY

$2.6 billion

SOURCE: Television

AGE: 66 • RESIDENCE: Montecito, CA

SELF-MADE SCORE: 10

She's the richest woman in entertainment as a result of 25 years of her popular daytime talk show, which ended in 2011. Winfrey has been busy during the pandemic, premiering two series under her nine-figure pact with streaming service Apple TV+. On Oprah Talks Covid-19 and The Oprah Conversation, Winfrey is back in the interview chair, discussing the coronavirus and racial injustice, respectively.

10. DORIS FISHER

$2.4 billion

SOURCE: Gap

AGE: 89 • RESIDENCE: San Francisco

SELF-MADE SCORE: 7

Fifty-one years after founding Gap with her husband, she and her three sons still own nearly half of the $16.4 billion (fiscal 2019 sales) clothing retailer. In January, it nixed plans to spin off Old Navy as a separate public company, citing the "cost and complexity" involved. It then tapped its Old Navy chief, Sonia Syngal, to step up as CEO in March; son Bob Fisher had filled the role for several months after the company fired previous head honcho Art Peck in November 2019.

11. ALICE SCHWARTZ

$2.2 billion

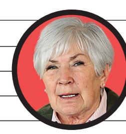
SOURCE: Biotech

AGE: 94 • RESIDENCE: El Cerrito, CA

SELF-MADE SCORE: 8

Schwartz's Bio-Rad Laboratories has been at the forefront of coronavirus relief efforts, providing an FDA-approved virus test as well as an antibody test, among other initiatives, to fight Covid-19. Bio-Rad shares have jumped 58% since mid-March. Schwartz, who cofounded the company in 1952 with her husband and $720 in savings, owns a 14% stake and sits on the board. Her son, Norman, is chairman and CEO.

12. GAIL MILLER



$1.9 billion

SOURCE: Car dealerships

AGE: 76

RESIDENCE: Salt Lake City, UT

SELF-MADE SCORE: 7

The Larry H. Miller Group, which she runs, owns the NBA's Utah Jazz, 65 car dealerships and 15 movie theaters. The group was affected by the pandemic, leading to layoffs in April to cut costs. Still, car sales are strong, and her NBA team is worth 9% more than last year, pushing up her net worth. Her cofounder husband, Larry, died in 2009.

OPRAH: VERA ANDEWRSON/GETTY IMAGES

CHANGE IN WEALTH KEY: UP DOWN UNCHANGED RETURNEE • SELF-MADE SCORE: 6 7 8 9 10

13. SHERYL SANDBERG

$1.8 billion ⬆

SOURCE: Facebook

AGE: 51 • RESIDENCE: Menlo Park, CA

SELF-MADE SCORE: 6

Sandberg, chief operating officer at Facebook, made a name for herself through her Lean In book and philosophy. She's spent the last few years focused on improving Facebook's tarnished public image. The company faced a boycott over the summer by over 1,000 advertisers upset with what they say is Facebook's weak policing of hate speech and misleading political ads.

13. ELAINE WYNN

$1.8 billion ⬇

SOURCE: Casinos, hotels

AGE: 78 • RESIDENCE: Las Vegas

SELF-MADE SCORE: 8

Shares of Wynn Resorts, the casino operator she cofounded, have tumbled 43% since January, due largely to shelter-in-place orders that kept the company's properties—including the Wynn and Encore in Las Vegas and Encore Boston Harbor—shuttered for several months. In 2018, her ex-husband and cofounder, Steve Wynn, resigned amid allegations of sexual misconduct. He denies the allegations.

15. EREN OZMEN

$1.2 billion ⬇

SOURCE: Aerospace

AGE: 62 • RESIDENCE: Reno, NV

SELF-MADE SCORE: 9

Ozmen is president of aerospace and defense firm Sierra Nevada Corp., which she owns with her husband, Fatih. The Turkish immigrants bought SNC in 1994 when it had just 20 employees and have built it into one of the United States government's biggest majority-female-owned contractors. In August the company secured a $320 million bid to produce encryption devices for the U.S. Army.

16. SAFRA CATZ

$1.1 billion ⬌

SOURCE: Oracle

AGE: 58

RESIDENCE: Redwood City, CA

SELF-MADE SCORE: 6

Catz went from co-CEO to sole CEO of software giant Oracle in 2019 after her former co-CEO, Mark Hurd, passed away. In mid-September, President Trump approved a deal involving the popular Chinese video app TikTok, Walmart and Oracle in which Oracle would store the app's U.S. data on its cloud platform. The deal still needs approval from China.

16. PEGGY CHERNG

$1.1 billion ⬇

SOURCE: Fast food

AGE: 72 • RESIDENCE: Las Vegas

SELF-MADE SCORE: 9

Cherng and her husband, Andrew, temporarily closed 350 of their 2,200 Chinese food Panda Express restaurants earlier this year. In June, Panda Express launched a new delivery service and announced plans to hire 30,000 employees over the next year for a range of jobs. (See Book Value, page 24.)

16. WEILI DAI

$1.1 billion ⬆

SOURCE: Semiconductors

AGE: 59 • RESIDENCE: Las Vegas

SELF-MADE SCORE: 8

Dai cofounded semiconductor company Marvell Technology with her husband, Sehat Sutardja, in 1995. She was president of the business until 2016, when she and Sutardja were forced out due to an internal accounting investigation—though no evidence of fraud was found. Since moving to Las Vegas in 2017, the couple have been investing in real estate and technology, including sensor company NextInput.

16. ROBYN JONES NEW

$1.1 billion

SOURCE: Insurance

AGE: 58 • RESIDENCE: Fort Worth, TX

SELF-MADE SCORE: 9

Jones is cofounder and vice-chairman of Texas-based Goosehead Insurance. She shares a 39% stake in the $739 million (2019 premiums) business with her husband, Mark, who is CEO. Jones raised their six children while Mark, a former truck driver, went to college and business school and consulted at Bain. Frustrated with Mark's road-warrior lifestyle, Jones founded Goosehead in 2003 to lure him away from Bain. Shares have soared more than 500% since Goosehead's 2018 IPO.

16. JAYSHREE ULLAL

$1.1 billion ⬇

SOURCE: Computer networking

AGE: 59

RESIDENCE: Saratoga, CA

SELF-MADE SCORE: 6

Ullal has been CEO of computer networking firm Arista Networks since 2008, after rising through the ranks at rival Cisco. On an earnings call in early August, Ullal said the pandemic had created supply-chain problems in the first half of the year; in addition, increased freight and logistics costs cut into revenue. Shares fell about 20% in the month following the disclosure.

Robyn Jones

21. NEERJA SETHI

$1 billion ⬌

SOURCE: IT consulting, outsourcing

AGE: 65 • RESIDENCE: Fisher Island, FL

SELF-MADE SCORE: 8

Sethi and her husband, Bharat Desai, founded the IT consulting and outsourcing firm Syntel in 1980 from their Michigan apartment, investing $2,000 upfront to get it started. They sold it in October 2018, at which time Sethi pocketed an estimated $510 million stake.

22. KATHY FIELDS

$800 million ⬇

SOURCE: Skin care

AGE: 62 • RESIDENCE: San Francisco

SELF-MADE SCORE: 8

22. KATIE RODAN

$800 million ⬇

SOURCE: Skin care

AGE: 65 • RESIDENCE: San Francisco

SELF-MADE SCORE: 8

Rodan + Fields, the skin-care firm founded in 2007 by these two dermatologists and powered by a multilevel-marketing force of 300,000 "consultants," has hit a rough patch. As a result of the pandemic and increased competition, sales and profits have dropped, according to Moody's, which in April downgraded the business' $800 million in debt to "very high credit risk." The company had no comment. Back in 2018, private equity firm TPG Capital spent $1 billion for a 25% stake in Rodan + Fields; the company borrowed $600 million, then paid the founders a dividend.

April Anthony

24. KIM KARDASHIAN WEST

$780 million ↑

SOURCE: Cosmetics, reality TV

AGE: 39

RESIDENCE: Hidden Hills, CA

SELF-MADE SCORE: 7

Kardashian West's net worth skyrocketed this year thanks to a rich deal with cosmetics company Coty, which bought a 20% stake in her makeup firm, KKW Beauty, for $200 million in June. Forbes calculates that the value of KKW Beauty has dropped since then amid the pandemic. Kardashian West will continue to profit from her social media endorsements—brands pay six figures to be featured on her Instagram feed—as she steps away from reality show Keeping Up With the Kardashians next year.

25. SHEILA JOHNSON

$770 million ↓

SOURCE: Cable TV

AGE: 71

RESIDENCE: The Plains, VA

SELF-MADE SCORE: 9

The cofounder of cable network Black Entertainment Television now focuses on her Salamander Hotels & Resorts, which operates five properties in Virginia, South Carolina, Jamaica and Florida. Temporarily shuttered due to the coronavirus, Salamander has been slowly reopening. Johnson also owns stakes in the WNBA's Washington Mystics, the NBA's Washington Wizards and the NHL's Washington Capitals.

26. TORY BURCH

$750 million ↓

SOURCE: Fashion

AGE: 54 • RESIDENCE: New York City

SELF-MADE SCORE: 7

Like many other firms in the fashion industry, Burch's luxury clothing company, Tory Burch LLC, has been wounded by the pandemic. She and her husband, its CEO, have been working furiously to salvage the business. (See story, page 132.)

26. ANNE DINNING

$750 million ↑

SOURCE: Hedge funds

AGE: 57• RESIDENCE: New York City

SELF-MADE SCORE: 6

The Wall Street veteran joined quantitative hedge fund firm D.E. Shaw in 1990, two years after billionaire David Shaw founded the shop. She's part of a five-person executive committee that runs D.E. Shaw's day-to-day operations. Dinning also sits on the boards of nonprofits Math for America and Code.org.

28. NANCY ZIMMERMAN

$720 million ↓

SOURCE: Hedge funds

AGE: 57 • RESIDENCE: Boston

SELF-MADE SCORE: 8

The Goldman Sachs alum is the cofounder of Bracebridge Capital, a Boston-based hedge fund firm that manages more than $12 billion in assets. A pioneer in the field of absolute return investing, Zimmerman manages private funds for the likes of university endowments, foundations and pensions. Zimmerman is a trustee of Brown University, her alma mater, and chairs the advisory council of the school's Carney Institute for Brain Science.

↑ 29. APRIL ANTHONY

NEW

$700 million

SOURCE: Health care

AGE: 53 • RESIDENCE: Dallas

SELF-MADE SCORE: 8

Anthony founded and runs Encompass Home Health & Hospice, which she built by scooping up 17 distressed home-health-care providers for under $500,000 between 1998 and 2001. In 2014, Anthony sold the company for $750 million to publicly traded HealthSouth, which has since taken the Encompass name. She remains CEO. The virus has wreaked havoc on the company, cutting patient visits by as much as 30% in mid-April, but business has since returned to near pre-Covid levels. Anthony has three sports cars, including a new plum-colored Bentley.

29. KYLIE JENNER

$700 million ↓

SOURCE: Cosmetics, reality TV

AGE: 23

RESIDENCE: Hidden Hills, CA

SELF-MADE SCORE: 7

The youngest of the Kardashian-Jenner clan made headlines in late 2019 when she engineered one of the greatest celebrity cash-outs of all time, agreeing to sell a majority of her Kylie Cosmetics to beauty giant Coty. The $600 million price tag was overshadowed by the deal's fine print: Jenner's company was doing much less business than she led the world to believe. Sales, which were $200 million in 2019, fell to $52 million in the first half of 2020.

31. KIT CRAWFORD

$690 million ↓

SOURCE: Clif Bar

AGE: 62 • RESIDENCE: St. Helena, CA

SELF-MADE SCORE: 8

Crawford and her husband, Gary Erickson, stepped down as co-CEOs of Clif Bar this year but still hold an 80% stake in the $843 million (est. revenue) energy bar company. The pair remain active on the company's board, while also running the Clif Family Winery in Napa Valley and venture capital firm White Road Investments, which invests in active-lifestyle companies.

32. SARA BLAKELY

$610 million ↓

SOURCE: Spanx

AGE: 49 • RESIDENCE: Atlanta

SELF-MADE SCORE: 8

Blakely's fortune is down nearly $400 million, Forbes estimates, as the pandemic, which shuttered most workplaces and social functions, has sapped the market for shapewear. Research firm NPD Group estimates that U.S. sales of shapewear plunged more than 20% in the 12 months through July compared to the prior year.

33. THERESIA GOUW

$600 million ↑

SOURCE: Venture capital

AGE: 48 • RESIDENCE: Palo Alto, CA

SELF-MADE SCORE: 9

A longtime venture capitalist, Gouw launched a new early-stage venture firm, Acrew Capital, in December 2019. She cofounded Aspect Ventures in 2014, with exits including the IPO of messaging app Slack and the sale of HotelTonight to Airbnb. Gouw, a first-generation Indonesian immigrant of Chinese descent, got her start as a VC in 1999 at Accel Partners, where she was the first female partner.

ANTHONY: JEFF WILSON FOR FORBES

CHANGE IN WEALTH KEY: ↑ UP ↓ DOWN ↔ UNCHANGED ↺ RETURNEE • SELF-MADE SCORE: 6 7 8 9 10

33. MARISSA MAYER

$600 million

SOURCE: Google, Yahoo

AGE: 45 • RESIDENCE: Palo Alto, CA

SELF-MADE SCORE: 6

Mayer joined Google as one of its earliest employees and spent more than a decade there before leaving to become CEO of Yahoo in 2012. She resigned shortly after Yahoo's sale to Verizon in 2017. The next year, Mayer started Lumi Labs, a tech incubator. The firm quietly raised $20 million in May, according to a regulatory filing.

33. NEHA NARKHEDE

$600 million

SOURCE: Software

AGE: 36

RESIDENCE: Palo Alto, CA

SELF-MADE SCORE: 8

Confluent, a cloud company that enables an organization's software engineers to process large amounts of data, raised another $250 million in April, nearly doubling its valuation to $4.5 billion. A former LinkedIn software engineer, Narkhede helped develop the software platform Apache Kafka to handle the networking site's massive influx of data. In 2014 she left to cofound Confluent to build tools for companies using Apache Kafka's open-source code.

33. RIHANNA

$600 million

SOURCE: Music, cosmetics

AGE: 32

RESIDENCE: Los Angeles

SELF-MADE SCORE: 10

Her cosmetics line Fenty Beauty, a partnership with LVMH, has been a hit; Forbes estimates it brought in over $600 million in sales in 2019. Her Savage x Fenty lingerie line, which is co-owned by Techstyle Fashion Company, reportedly raised $50 million from investors last year. Her Clara Lionel Foundation, named after her grandparents, raised $22.5 million for coronavirus relief.

33. YOUNG SOHN

$600 million

SOURCE: Software

AGE: 62 • RESIDENCE: New York City

SELF-MADE SCORE: 6

Sohn, a software veteran, spent seven years on the board of Veeva Systems, a pharmaceuticals-focused cloud software company. Her net worth is lower than last year due to new information about her Veeva stake. In 2014, she cofounded Vlocity, a cloud software company that was acquired by Salesforce in June for $1.3 billion.

38. SUSAN WOJCICKI

$580 million

SOURCE: Google

AGE: 52 • RESIDENCE: Los Altos, CA

SELF-MADE SCORE: 6

She joined Google in 1999 as employee No. 16 and became CEO of subsidiary YouTube in 2014. Ahead of the 2020 election, Wojcicki announced in August that the site would ban videos containing hacked information, such as email leaks, that could interfere with election results. Her younger sister is 23andMe founder Anne Wojcicki (No. 49).

40. MADONNA

$550 million

SOURCE: Music

AGE: 62

RESIDENCE: New York City

SELF-MADE SCORE: 9

The Queen of Pop released Madame X, her 14th studio album and ninth to debut at No. 1, in June 2019, but had to cancel more than a dozen shows on her Madame X Tour—featuring shows in intimate theaters across the U.S., Portugal, England and France—due to production troubles, injuries and the Covid outbreak.

Whitney Wolfe Herd

39. WHITNEY WOLFE HERD

$575 million

SOURCE: Dating app

AGE: 31 • RESIDENCE: Austin, TX

SELF-MADE SCORE: 8

Wolfe Herd became CEO of online dating group Bumble (formerly MagicLab) in November 2019, after private equity firm Blackstone bought out its former owner, Russian billionaire Andrey Andreev, in a deal that valued the business at $3 billion. The sale came five months after a Forbes investigation chronicled a toxic and sexist corporate culture at MagicLab. (The company, Andreev and Wolfe Herd denied the majority of the allegations.) Bumble reportedly plans to go public in 2021.

41. ANASTASIA SOARE

$540 million

SOURCE: Cosmetics

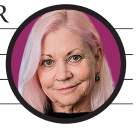
AGE: 62 • RESIDENCE: Beverly Hills, CA

SELF-MADE SCORE: 9

Born in Romania, she launched her cosmetics line in 2000, but the popularity of products from her firm, Anastasia Beverly Hills, has waned. In April, Fitch Ratings said it expected revenue to fall 30% this year and warned that the company's capital structure—burdened by $640 million of debt—was unsustainable. Forbes calculates that Soare's net worth has fallen by half since last year. In 2018, private equity firm TPG acquired a minority stake in a deal that valued the company at $3 billion.

HERD: JAMEL TOPPIN FOR FORBES

41. THERESE TUCKER



$540 million ↑
SOURCE: Software
AGE: 59
RESIDENCE: Los Angeles
SELF-MADE SCORE: 8

Tucker announced in August that she will step down as CEO of BlackLine, the accounting-automation software company she founded in 2001, and transition to executive chair in January 2021. “There’s a fundamental difference in the skill sets required to scale a company to a billion in revenue,” Tucker told Forbes at the time. She sold a majority stake in 2013 to private equity investors but still owns just over 9% of the $289 million (2019 sales) company.

44. DONNA CARPENTER

NEW
$530 million
SOURCE: Snowboards
AGE: 57
RESIDENCE: Stowe, VT
SELF-MADE SCORE: 8

Carpenter built snowboarding gear and apparel giant Burton alongside her late husband, Jake Burton Carpenter, who died of testicular cancer in 2019. Founded in 1977, the company, with estimated revenues of $300 million, is credited with launching the modern snowboard and turning a hobby into a mainstream sport. She owns the company and was CEO from 2016 until February of this year, when she became chairman of the board.

Lisa Su

41. MARY WEST

$540 million ↑
SOURCE: Telemarketing
AGE: 74 • RESIDENCE: San Diego
SELF-MADE SCORE: 8

She and her husband, Gary, founded their first telemarketing company in 1978 from their garage. After selling that firm two years later, West founded telecom business West Corp. in 1986. The couple sold most of their stake in 2006 for $1.4 billion. They have since given more than $400 million to help improve health care for seniors through nonprofits including their own West Health. Private equity firm Apollo acquired West Corp. for $5.1 billion in 2017, including debt.

↑ 44. LISA SU

NEW
$530 million
SOURCE: Semiconductors
AGE: 51 • RESIDENCE: Austin, TX
SELF-MADE SCORE: 8

A Taiwanese immigrant who studied at the Bronx High School of Science and then MIT, where she got a Ph.D. in electrical engineering, Su has led the dramatic turnaround of Santa Clara, California–based semiconductor firm Advanced Micro Devices. Since she became CEO in 2014, AMD’s shares have surged more than 20-fold to a market capitalization of $90 billion. The company launched a new slate of high-performance chips that has reignited growth.

46. VICTORIA ZOELLNER

$520 million ↑
SOURCE: Hedge funds
AGE: 77 • RESIDENCE: Alpine, NJ
SELF-MADE SCORE: 8

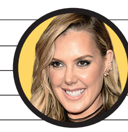
Zoellner cofounded hedge fund Alpine Associates Management with her late husband, Robert, in 1976. The couple started the firm with $400,000 from friends, family and associates. A former portfolio analyst, Zoellner focused on merger arbitrage at Alpine. She has since retired from overseeing daily operations but still chairs the firm, which manages more than $2 billion in assets.

47. HUDA KATTAN

$510 million ↓
SOURCE: Cosmetics and skin care
AGE: 37 • RESIDENCE: Dubai
SELF-MADE SCORE: 9

The makeup-artist-turned-blogger is chairwoman of Huda Beauty, the $200 million (est. 2019 revenue) cosmetics company she founded, and aims to transform it into a beauty conglomerate. In February she launched a skin-care line called Wishful. In 2017, she sold a minority stake in Huda Beauty to private equity firm TSG Consumer Partners in a deal that valued the business at $1.2 billion.

47. KENDRA SCOTT



$510 million ↓
SOURCE: Jewelry
AGE: 46
RESIDENCE: Austin, TX
SELF-MADE SCORE: 7

Online sales at her eponymous jewelry company helped offset store closures and keep revenue flat at an estimated $360 million in the year through July. Scott, who started the company out of a spare bedroom in 2002, now sells her jewelry at stores including Nordstrom and Bloomingdale’s, plus more than 100 of her own outlets.

49. ANNE WOJCICKI

$500 million ↓
SOURCE: DNA testing
AGE: 47 • RESIDENCE: Los Altos, CA
SELF-MADE SCORE: 7

Even before the pandemic, her DNA testing company 23andMe had troubles, laying off about 100 of its staff, or 14%, in January amid a decline in sales. The cofounder and CEO, she has been steering the business into drug discovery based on its genetic research. In January, 23andMe licensed a drug candidate created in-house for the first time, to Barcelona-based Almirall. Wojcicki was married to Google cofounder Sergey Brin until 2015.

CHANGE IN WEALTH KEY: ↑ UP ↓ DOWN ↔ UNCHANGED ↺ RETURNEE • SELF-MADE SCORE: 6 7 8 9 10

50. JAMIE KERN LIMA

$460 million ↑

SOURCE: Cosmetics, skin care

AGE: 43 • RESIDENCE: Los Angeles

SELF-MADE SCORE: 9

In September 2019, she stepped down as co-CEO of IT Cosmetics, the business she founded and sold to L'Oréal in a $1.2 billion deal in 2016. She has invested some of her proceeds from the sale, which totaled at least $400 million, into 17 mostly women-led startups. She's a former morning news anchor whose book, Believe IT: How to Go from Underestimated to Unstoppable, is set to be published in February.

51. CELINE DION

$455 million ↑

SOURCE: Music

AGE: 52

RESIDENCE: Las Vegas

SELF-MADE SCORE: 8

The singer released Courage, her first chart-topping album in 17 years, in November 2019, then embarked on her Courage World Tour. After 52 sold-out North American shows, she was forced to postpone more than a dozen concerts in the U.S. and Canada, plus her entire 33-stop European leg, due to the pandemic.

52. DONNA KARAN

$450 million ↑

SOURCE: Fashion

AGE: 72 • RESIDENCE: New York City

SELF-MADE SCORE: 8

The clothing designer sold her brands and trademarks to French luxury-goods conglomerate LVMH for $600 million two decades ago. Urban Zen, her luxury lifestyle company (which also includes the Urban Zen Foundation), recently launched a wellness program incorporating meditation, breathing techniques and restorative yoga poses for first responders and "health-care heroes" during the pandemic.

53. JUDY SHEINDLIN

$445 million ↑

SOURCE: Television

AGE: 77 • RESIDENCE: Naples, FL

SELF-MADE SCORE: 8

In March, Sheindlin announced that her reality courtroom show, Judge Judy, will end in 2021 after 25 seasons on air. The judge, who earns $47 million a year (before taxes) from the series, doesn't plan to hang up her robe just yet: A new show, Judy Justice, is in the works. Reruns of Judge Judy will continue to air; CBS bought the rights to her library—with at least 5,200 shows—for $100 million in 2017.

Adi Tatarko

↑ 54. ADI TATARKO

$430 million ↔

SOURCE: Home design

AGE: 48 • RESIDENCE: Palo Alto, CA

SELF-MADE SCORE: 8

Tatarko cofounded Houzz, a home goods and interior-design website that was valued at $4 billion in 2017. Since that time, the company has gone through multiple rounds of layoffs, including a reported 10% cut of staff in April. Things may be looking up, though: In June, Houzz saw a 58% increase over the prior year in customer demand for home professionals who advertise on the site.

55. BEYONCÉ KNOWLES

$420 million ↑

SOURCE: Music

AGE: 39

RESIDENCE: Los Angeles

SELF-MADE SCORE: 7

The superstar returned to the charts this summer thanks to the musical film Black Is King, which is based on her album The Lion King: The Gift and premiered on Disney+ in July. She also has reentered the apparel industry, relaunching her athleisure line, Ivy Park, with Adidas in January; the first run reportedly sold out in less than three days.

56. NORA ROBERTS

$400 million ↑

SOURCE: Books

AGE: 70 • RESIDENCE: Boonsboro, MD

SELF-MADE SCORE: 8

The best-selling author has written more than 220 romance books and a popular series of crime novels under the pen name J.D. Robb. Five new works have been published just since last year's list, helping add to her wealth, with two more on the way by the end of the year.

56. BARBRA STREISAND

$400 million ↔

SOURCE: Music, film

AGE: 78 • RESIDENCE: Malibu, CA

SELF-MADE SCORE: 10

Over six decades in show business, the multitalented Streisand has amassed a trove of awards (she is one of only a few performers to win an Emmy, Grammy, Oscar and Tony)—and a fortune, thanks to her bestselling films, albums and tours. In November, she will release Walls, her first original album in 15 years.

58. DANIELLE STEEL

$385 million ↑

SOURCE: Books

AGE: 73 • RESIDENCE: San Francisco

SELF-MADE SCORE: 7

The romance queen, who has sold more than 650 million books in 69 countries since 1973, has kept producing throughout the pandemic. Since March, Steel has released The Numbers Game, The Wedding Dress and Daddy's Girls. Her latest book, Royal, hit shelves in August.

59. KARISSA BODNAR

$370 million ↑

SOURCE: Cosmetics

AGE: 31 • RESIDENCE: Los Angeles

SELF-MADE SCORE: 9

Her Thrive Causemetics made the poorly timed decision to enter retail stores for the first time in November 2019, partnering with Ulta Beauty. But the company's direct-to-consumer business has so far kept it afloat during the pandemic. Bodnar previously worked at L'Oréal as a product developer for skin care and cosmetics before leaving to launch Thrive in 2016 with $100,000 in savings.

59. ELLEN DEGENERES

$370 million ↑

SOURCE: Television

AGE: 62 • RESIDENCE: Santa Barbara, CA

SELF-MADE SCORE: 8

The TV host has been under fire. Reports over the last few months contend that she has presided over a toxic workplace—a stark contrast to the kind persona she portrays on television. That led to the dismissal of three executive producers and an internal investigation by Warner Media. While there were calls for her to cancel her syndicated program—which made her an estimated $50 million (before taxes) last year—the 18th season premiered in September. On the first episode, she apologized to viewers and her staff, saying she takes responsibility for "what happens on my show."

TATARKO: TIMOTHY ARCHIBALD FOR FORBES

59. KATHLEEN HILDRETH

$370 million ↔

SOURCE: Airplane maintenance

AGE: 59 • RESIDENCE: Aubrey, TX

SELF-MADE SCORE: 8

A West Point grad and service-disabled Army veteran, Hildreth helps run M1 Support Services, which maintains military aircraft fighter jets such as F-15s and F-16s. M1 Support, which she cofounded in 2003 after being deployed around the world as a helicopter and maintenance test pilot, pulled in $850 million in sales in 2019 thanks to its sole customer: the U.S. government.

62. LIZ ELTING

$365 million ↑

SOURCE: Translation services

AGE: 54 • RESIDENCE: New York City

SELF-MADE SCORE: 8

Elting cofounded translation company TransPerfect in 1992 from her college dorm room, but left in 2018 after pocketing $385 million (pretax), ending a long-running battle with Phil Shawe, her cofounder and ex-fiancé. Her Elizabeth Elting Foundation—focused on public health and education with the aim of "lifting up women and other marginalized people"—has put more than $1 million into its recently launched Halo Fund, which is providing money for Covid-19 research and relief.

Katrina Lake

Nichole Mustard

62. TAYLOR SWIFT

$365 million ↑

SOURCE: Music

AGE: 30 • RESIDENCE: Nashville, TN

SELF-MADE SCORE: 8

After canceling her 2020 tour due to the pandemic, Swift dropped a surprise album, Folklore, in July. It moved 846,000 units in its first week, becoming her seventh record to top the Billboard charts. She's also streaming on Netflix: Miss Americana, a documentary about her life, premiered in January at the Sundance Film Festival and outlines her journey toward becoming more politically active.

← 64. KATRINA LAKE

$360 million ↓

SOURCE: Online retail

AGE: 37 • RESIDENCE: San Francisco

SELF-MADE SCORE: 8

Lake has come a long way since she started online shopping service Stitch Fix out of her Cambridge, Massachusetts, apartment in 2011 while completing a Harvard MBA. Revenue dropped 9% in the quarter ended May 2 but then increased 3% in the quarter through August 1. Stitch Fix added 104,000 new customers in the most recent quarter, bringing its total to 3.5 million.

65. SONIA GARDNER

$330 million ↑

SOURCE: Finance

AGE: 58 • RESIDENCE: New York City

SELF-MADE SCORE: 8

Gardner cofounded the investment firm Avenue Capital Group with her brother Marc Lasry, who is now a billionaire, in 1995. She serves as president of the company, which manages nearly $10 billion in debt. The firm closed a $400 million impact investing fund earlier this year and is currently raising its inaugural venture capital fund.

← 65. NICHOLE MUSTARD

NEW

$330 million

SOURCE: Personal finance

AGE: 47 • RESIDENCE: Orinda, CA

SELF-MADE SCORE: 9

The Credit Karma cofounder and chief revenue officer put herself through college, then started working in financial planning. In 2007, she launched Credit Karma with two others from an office above a San Francisco bar. The site—which shows customers their credit scores, offers free tax-preparation software and more—has 100 million members. In February, Intuit agreed to buy the company for $7.1 billion in cash and stock; the deal had not closed as of September.

65. MARTINE ROTHBLATT

$330 million ↑

SOURCE: Pharmaceuticals

AGE: 66 • RESIDENCE: Satellite Beach, FL

SELF-MADE SCORE: 8

In August, publicly traded United Therapeutics, led by Rothblatt, submitted an FDA application for approval of its drug Tyvaso to treat a type of pulmonary hypertension. She cofounded satellite-radio firm Sirius XM but moved into biotech in 1996 after her daughter Jenesis was diagnosed with pulmonary hypertension at age 9 and given just years to live; she is now 36.

68. CLAIRE HUGHES JOHNSON

NEW

$325 million

SOURCE: Payments software

AGE: 48

RESIDENCE: Milton, MA

SELF-MADE SCORE: 8

Stripe's chief operating officer joined the payments startup, now valued by private investors at $36 billion, in 2014, when it had just over 160 employees and only a few sales and marketing employees. She started her business career in consulting, then moved to Google, where her roles included running the business side of its self-driving unit.

68. PLEASANT ROWLAND

$325 million ↑

SOURCE: American Girl dolls

AGE: 79 • RESIDENCE: Madison, WI

SELF-MADE SCORE: 8

The former elementary school teacher created the American Girl line of historical dolls and books, then sold it to Mattel for $700 million in 1998. Through her Rowland Reading Foundation, she created Superkids, a phonics-based literacy program that she sold to children's publisher Highlights for Children for an undisclosed sum in 2015.

70. SUSAN WAGNER

$315 million ↑
SOURCE: Blackrock, Inc.
AGE: 59
RESIDENCE: Mount Kisco, NY
SELF-MADE SCORE: 8

The longtime BlackRock executive, who helped cofound the investment management behemoth in 1988, retired as vice chairman of the firm in 2012 but still sits on its board. She's also on the boards of Apple and Burlingame, California–based health-tech firm Color Genomics.

71. LYNDA WEINMAN

$310 million ↑
SOURCE: Online education
AGE: 65 • RESIDENCE: Montecito, CA
SELF-MADE SCORE: 8

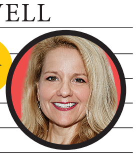
The former web-design teacher sold Lynda .com, an online-learning website with more than 250,000 video tutorials, for $1.5 billion in cash and stock to LinkedIn in 2015. Weinman stepped down as executive chairman before Microsoft bought LinkedIn for $26 billion the following year. She has produced some 20 films through Another Chapter Productions, including Emmy-winning documentary The Apollo, about the iconic Harlem theater.

72. JESSICA ICLISOY

$290 million ↓
SOURCE: Baby products
AGE: 54 • RESIDENCE: Los Angeles
SELF-MADE SCORE: 8

Throughout the months of the pandemic, sales of California Baby's hand sanitizer have surged. It's all made in a facility that Iclisoy—who founded California Baby in 1990—owns in downtown Los Angeles. Iclisoy still owns 100% of the organic baby products business, which has estimated revenues of $115 million.

72. GWYNNE SHOTWELL



$290 million
NEW
SOURCE: SpaceX
AGE: 56
RESIDENCE: Los Angeles
SELF-MADE SCORE: 6

Employee No. 11 at Elon Musk's SpaceX, Shotwell is president and chief operating officer of the commercial space exploration company. This year, SpaceX has launched about 600 satellites for its internet product, Starlink, and ferried two NASA astronauts to the International Space Station in May—then raised another $1.9 billion in funding in August, at a $46 billion valuation. Forbes estimates that Shotwell owns just under 1% of SpaceX.

74. JANICE BRYANT HOWROYD

$285 million ↓
SOURCE: Staffing
AGE: 68 • RESIDENCE: Las Vegas
SELF-MADE SCORE: 9

Bryant Howroyd is founder and CEO of workforce solutions and temporary staffing provider ActOne Group, which claims to have more than 17,000 clients in 19 countries. Her net worth is down about $100 million compared to a year ago amid a staffing-industry slump due to the coronavirus. In August 2019, Bryant Howroyd
released her latest book, Acting Up, in which she shares leadership advice.

74. PATRICIA MILLER

$285 million ↓
SOURCE: Accessories
AGE: 81 • RESIDENCE: Fort Wayne, IN
SELF-MADE SCORE: 8

Miller retired from the board of Vera Bradley in August 2019, nearly four decades after founding the vibrant bag-and-accessory brand with Barbara Bradley Baekgaard (No. 86). The two women, then neighbors, started out with $500 and a ping-pong table as a workspace. She and her husband share a nearly 17% stake in the publicly traded company, whose sales in the quarter through August 1 rose 10% from the prior year despite the pandemic, thanks to e-commerce sales doubling and revenue from bracelet brand Pura Vida, of which it acquired a majority stake in 2019.

76. VERA WANG

$270 million ↓
SOURCE: Fashion design
AGE: 71 • RESIDENCE: New York City
SELF-MADE SCORE: 7

Best known for her iconic wedding dress collections, Wang has designed for a slew of A-list celebrities including Victoria Beckham, Kim Kardashian West and Alicia Keys. She was the youngest editor of Vogue and worked as a design director for Ralph Lauren before launching her own bridal line in 1990 after planning her own wedding. Her net worth is down this year due to the hit to the wedding industry caused by the coronavirus.

↓ 77. RESHMA SHETTY

NEW
$260 million
SOURCE: Biotechnology
AGE: 40 • RESIDENCE: Boston
SELF-MADE SCORE: 8

Shetty cofounded Ginkgo Bioworks along with three fellow Ph.D.s from MIT—including her now husband, Barry Canton—and professor Tom Knight. One of the earliest synthetic biology startups, Ginkgo's goal was to create tools to help scientists do their work faster and easier. With minimal funding to start, they bought lab equipment off eBay. Today Ginkgo is worth $4.9 billion, according to PitchBook, with backers that include Bill Gates' investment arm, Cascade Investment, and mutual fund firm T. Rowe Price.

Reshma Shetty

SHETTY: MICHAEL PRINCE FOR FORBES

CHANGE IN WEALTH KEY: ↑ UP ↓ DOWN ↔ UNCHANGED RETURNEE • SELF-MADE SCORE: 6 7 8 9 10

Sarah Friar

78. TONI KO

$255 million ↓

SOURCE: Cosmetics

AGE: 47 • RESIDENCE: Los Angeles

SELF-MADE SCORE: 9

She sold NYX Cosmetics, the colorful and affordable makeup brand she founded in 1999 with seed money from her family, to L'Oréal for $500 million in 2014. Since then, she has invested more than $120 million in Los Angeles–area commercial real estate, which has declined in value since the pandemic emerged. Last fall she launched a new company, Bespoke Beauty Brands.

78. KELLY STECKELBERG

NEW

$255 million

SOURCE: Zoom

AGE: 53

RESIDENCE: San Jose, CA

SELF-MADE SCORE: 6

Steckelberg logged two decades working in finance for companies such as Cisco's Webex and ran dating app Zoosk before joining Zoom Video Communications as chief financial officer in late 2017—in time to prepare the videoconference company's April 2019 IPO. The stock has soared during the pandemic, as has Zoom use for work-from-home meetings and social gatherings. Most of her net worth lies in Zoom stock options.

80. THERESA PAN

NEW

$250 million

SOURCE: Fiber optics

AGE: 74 • RESIDENCE: Milpitas, CA

SELF-MADE SCORE: 8

Pan, an immigrant from Taiwan, cofounded fiber-optic components firm E-Tek Dynamics with her husband, Jing Jong Pan, in 1983. In 2000 the company merged with fiber-optics firm JDS Uniphase in a $15 billion transaction that landed both Pan and her husband on The Forbes 400 at a $1.8 billion net worth. Shares of JDS soon plummeted, knocking her off the list in 2001. Pan now heads the Dynamic Foundation, which helps build and renovate schools in rural China.

80. CATHIE WOOD

NEW

$250 million

SOURCE: Money management

AGE: 64 • RESIDENCE: Wilton, CT

SELF-MADE SCORE: 8

She founded Ark Investment Management, a $29 billion (assets) firm dedicated to investing in a variety of disruptive technologies including self-driving cars, DNA sequencing, gene editing and space exploration. Her flagship $8.6 billion Ark Innovation ETF, up 75% in 2020, is one of the best-performing funds in the world. (See story, page 42.)

82. BELINDA JOHNSON

$245 million ↓

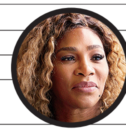
SOURCE: Airbnb

AGE: 53 • RESIDENCE: Redwood City, CA

SELF-MADE SCORE: 6

Johnson stepped down as Airbnb's chief operating officer in March, just before the coronavirus devastated the home-rental company. Airbnb's valuation was slashed to $26 billion in April, and it laid off 25% of its staff in May. Johnson, who was the company's first executive hire in 2011, still sits on its board.

83. SERENA WILLIAMS



$225 million ↔

SOURCE: Tennis

AGE: 39

RESIDENCE: Palm Beach Gardens, FL

SELF-MADE SCORE: 9

Her $94 million in career prize money is more than twice as much as any other female athlete, but the 23-time Grand Slam champion has earned three times as much (pretax) from endorsements and appearances. Through her fund, Serena Ventures, she has invested in more than 50 startups since 2014; 60% are companies founded by women and minorities, including mom-focused exercise business Every Mother.

84. SUZY BATIZ

$215 million ↓

SOURCE: Bathroom spray

AGE: 56 • RESIDENCE: Dallas

SELF-MADE SCORE: 10

Her Poo-Pourri quickly pivoted during the pandemic, launching a line of hand sanitizers to complement its sprays that combat toilet and shoe odor. That helped revenue grow more than 15% in the year through July. (Revenue hit $63 million in 2018.) Batiz went through two bankruptcies before launching Poo-Pourri in 2007.

↑ 84. SARAH FRIAR

NEW

$215 million

SOURCE: Mobile payments

AGE: 47 • RESIDENCE: Ross, CA

SELF-MADE SCORE: 6

Friar, who hails from Northern Ireland, became CEO of neighborhood-focused social network Nextdoor in late 2018, after working as a software analyst at Goldman Sachs, in finance at Salesforce and, for six years, as chief financial officer of payments firm Square. In June, following Nextdoor user complaints about racial profiling and racist remarks on the site, Friar wrote a blog post apologizing and promising to strengthen moderation of users' posts.

FRIAR: JASON SZENES/NEWSCOM

86. BARBARA BRADLEY BAEKGAARD

$210 million (returnee)

SOURCE: Accessories

AGE: 81 • RESIDENCE: Fort Wayne, IN

SELF-MADE SCORE: 8

Bradley Baekgaard was a co-president of women's fashion label Vera Bradley for 28 years, until 2010, and still serves on the company's board. Shares of the Nasdaq-listed firm, named after Bradley Baekgaard's mother and known for its colorful luggage and bags, plummeted more than 70% from January through early April amid the coronavirus but have since bounced part of the way back.

87. ANGELA AHRENDTS

$200 million (down)

SOURCE: Apple

AGE: 60 • RESIDENCE: Cupertino, CA

SELF-MADE SCORE: 6

The former Donna Karan exec led Burberry as CEO from 2006 to 2014, then headed Apple's retail operations until April 2019, when she left amid slumping iPhone sales. She sits on the boards of Ralph Lauren and Airbnb, and in July she joined the board of advertising giant WPP.

87. SUSANNAH GRAY

NEW

$200 million

SOURCE: Pharmaceuticals

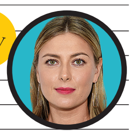
AGE: 60 • RESIDENCE: New York City

SELF-MADE SCORE: 6

Gray worked her way up in finance over 15 years at Wall Street firms, then joined Royalty Pharma, an aggregator of pharmaceutical royalties, where she spent 14 years, many of them as chief financial officer. She retired in September 2019. Royalty Pharma listed its shares on the Nasdaq in June; Gray's 1.2% stake is worth about $180 million. She's now serving on several boards, including the breast cancer nonprofit Susan G. Komen foundation.

87. MARIA SHARAPOVA

NEW



$200 million

SOURCE: Tennis

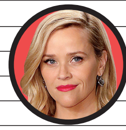
AGE: 33

RESIDENCE: Manhattan Beach, CA

SELF-MADE SCORE: 9

Sharapova retired in February after nearly two decades as a tennis pro, including 11 consecutive years as Forbes' highest-paid female athlete. Her business empire includes Sugarpova, a line of premium candies that racked up $20 million in sales last year and is 100% owned by the five-time Grand Slam champ. She also owns a roughly 10% stake in fast-growing sunscreen brand Supergoop.

87. REESE WITHERSPOON



$200 million (down)

SOURCE: Entertainment

AGE: 44

RESIDENCE: Los Angeles

SELF-MADE SCORE: 8

Since launching in 2016, her company Hello Sunshine has produced hit after hit, with Apple TV+'s The Morning Show and Hulu's Little Fires Everywhere premiering in the past year; Witherspoon stars in both and collects at least $1 million per episode. Hello Sunshine shows were nominated for a collective 18 Emmy Awards this year.

91. SACHIKO KUNO

$195 million (returnee)

SOURCE: Pharmaceuticals

AGE: 65 • RESIDENCE: Potomac, MD

SELF-MADE SCORE: 8

A Japanese-born scientist with a Ph.D. in biochemical engineering, Kuno made her fortune cofounding two pharmaceutical firms with former husband and research partner Ryuji Ueno: Sucampo Pharmaceuticals in Bethesda, Maryland, and R-Tech Ueno in Japan. The couple moved to the U.S. in 1999 and divorced in 2016.

→ 92. KRIS JENNER

NEW

$190 million

SOURCE: Cosmetics, reality TV

AGE: 64 • RESIDENCE: Los Angeles

SELF-MADE SCORE: 8

The flight attendant–turned-"momager" is the mastermind behind her daughters' entrepreneurial endeavors. She takes a 10% cut of every penny that the Kardashian-Jenner family rakes in—including Kim Kardashian West and Kylie Jenner's nine-figure deals with beauty giant Coty in the past year—and brings in her own income for executive producing and starring in Keeping Up with the Kardashians, which will end next year after its 20th season.

93. CORDIA HARRINGTON

NEW

$180 million

SOURCE: Bakeries

AGE: 67 • RESIDENCE: Franklin, TN

SELF-MADE SCORE: 8

Nicknamed the "Bun Lady," she founded and is CEO of The Bakery Cos., a Nashville firm with over $100 million in revenue that produces baked goods for restaurants and food companies, including Five Guys and Pepperidge Farm. In 2019, she sold a majority stake to private equity firm Arbor Investments for an undisclosed sum. Before founding the bakery company in 1996, the then–single mom of three sold real estate and owned McDonald's franchises.

93. RUTH PORAT

NEW

$180 million

SOURCE: Google

AGE: 62

RESIDENCE: Palo Alto, CA

SELF-MADE SCORE: 6

Porat rose through the ranks at Morgan Stanley over a 27-year career to become chief financial officer in 2010. She was recruited by Google in mid-2015, shortly before the firm created its parent company, Alphabet, where she now serves as CFO. In February, Alphabet disclosed for the first time the 2019 financial results for some of its subsidiaries, including YouTube and its cloud computing division.

95. SOSI SETIAN & FAMILY

NEW

$165 million

SOURCE: Translation services

AGE: 77 • RESIDENCE: New York City

SELF-MADE SCORE: 10

Born in Bulgaria to Armenian parents, Setian fled to Lebanon and then the U.S. when she was 17. After studying applied linguistics, she founded SOS International in 1989 as a translation services company, inspired by her work as a court interpreter. The $170 million (est. sales) firm, where her son is CEO, now provides translation and more for the U.S. Army in regions including the Middle East and Africa.

Kris Jenner

JENNER: KURT KRIEGER/GETTY IMAGES

CHANGE IN WEALTH KEY: UP DOWN UNCHANGED RETURNEE • SELF-MADE SCORE: 6 7 8 9 10

Lady Gaga

96. JANET WEINER

NEW

$155 million

SOURCE: Energy drinks

AGE: 72 • RESIDENCE: Belvedere, CA

SELF-MADE SCORE: 6

Weiner received a big payout earlier this year when her son, billionaire Russ Weiner, sold his Rockstar Energy Beverages to PepsiCo for $3.85 billion. Weiner, who once ran an herb store, was chief financial officer of the drink maker, which her son founded in 2001. She owned a stake that Forbes estimates was worth nearly $150 million after taxes. Weiner now plans to devote her life to helping animals and protecting wildlife, her son told Forbes in March.

↑ 97. LADY GAGA

NEW

$150 million

SOURCE: Music

AGE: 34 • RESIDENCE: New York City

SELF-MADE SCORE: 8

While her Las Vegas residency was canceled and her 2020 tour rescheduled due to the pandemic, the musician's sixth studio album, Chromatica, debuted in May atop the Billboard 200 chart. She has also promoted her makeup line, Haus Laboratories, which launched in September 2019. In April, Gaga helped organize the One World: Together at Home virtual concert with nonprofit Global Citizen, raising about $130 million for Covid-19 relief.

97. JENNIFER LOPEZ

NEW

$150 million

SOURCE: Music, television

AGE: 51

RESIDENCE: New York City

SELF-MADE SCORE: 9

Two decades into her music career, Lopez continues to be a top draw: Her 2019 world tour grossed $55 million, with stops in Egypt, Israel and Russia. But she has diversified beyond the stage: She received critical praise and a Golden Globe nomination for her performance in the 2019 movie Hustlers and has struck endorsement deals with Versace, DSW and Quay sunglasses, as well as her own fragrances.

↓ 97. PHEBE NOVAKOVIC

NEW

$150 million

SOURCE: Aerospace

AGE: 62 • RESIDENCE: Fairfax, VA

SELF-MADE SCORE: 8

A former CIA operative, Novakovic has been chief executive of aerospace and defense giant General Dynamics since 2013. She joined the company in 2001 after a stint at the Department of Defense. In 2018, she oversaw the $9.7 billion acquisition of IT firm CSRA. In February 2020, General Dynamics' subsidiary Gulfstream debuted its latest jet, the G700, which it claims is the fastest, longest-range private jet ever made.

97. SHOSHANA SHENDELMAN

NEW

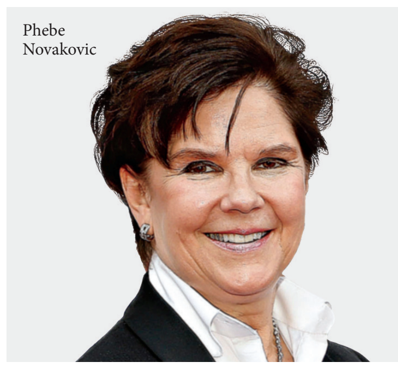
$150 million

SOURCE: Biopharma

AGE: 41 • RESIDENCE: New York City

SELF-MADE SCORE: 8

Shendelman, armed with a Ph.D. in neurobiology and 12 years of experience as a life-sciences consultant, founded biopharma outfit Applied Therapeutics in 2016. It has a drug in late-stage clinical trials to treat diabetic cardiomyopathy, a heart disorder; the drug is also being tested to treat some severe cases of Covid-19. The company's stock is up 158% since its May 2019 IPO.



Phebe Novakovic

Editors: Kerry A. Dolan, Chase Peterson-Withorn and Jennifer Wang

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METHODOLOGY: To compile net worths, we valued individual assets including stakes in public companies using stock prices from September 11, 2020. We valued private companies by consulting with outside experts and conservatively comparing them with public companies. To be eligible for the list, women have to have substantially made their own fortunes in the U.S. and/or be U.S. citizens or permanent residents. While none inherited their wealth, some climbed farther and overcame more obstacles to get into the ranks. To measure just how far some have come, we have given women a self-made score of 6 (hired hand) to 10 (rags-to-riches entrepreneur). Those listed as returnees are women who appeared on an earlier list, then missed the cut and now once again qualify. We attempted to vet numbers with all list entrants. Some cooperated; others didn't. Ages are as of October 13, 2020. For more information, including details on the self-made scores, go to forbes.com/self-made-women.

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GAGA: KEVIN MAZUR/GETTY IMAGES

ECONOMICS

BESO NAMCHAVADZE - CURRENT EVENTS

The Impact of the Karabakh Conflict on the Georgian Economy

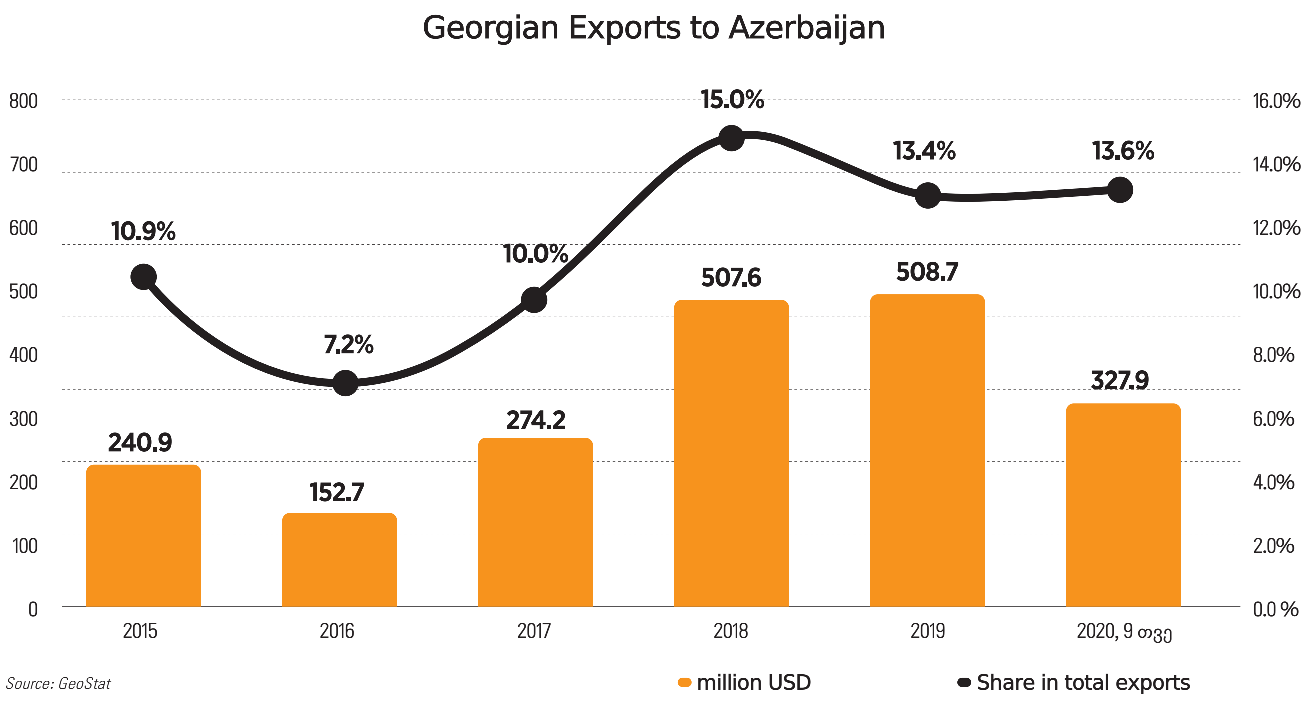
On the 27th of September, the conflict between Azerbaijan and Armenia over Nagorno-Karabakh erupted into a full-scale war. While there had been numerous clashes between the two sides over the past twenty-six years, this was the most serious escalation since 1994. Full casualty details have not been released, but more than 1,000 servicemen are thought to have been killed on both sides.

The distance between Tbilisi and Nagorno-Karabakh is 375km – roughly the same as between the Georgian capital and Batumi. From the Georgian border crossing point Tsiteli Khidi (the Red Bridge), the conflict zone is a mere 300km away. The city of Ganja in Azerbaijan, which was bombed during the recent fighting, is located 208km away from Tbilisi. The parties to the conflict are not only neighbors, but also two of the country's largest economic partners. It is, therefore, important to know what economic threats Georgia is facing due to the conflict.

If it were not for the COVID-19 pandemic and the subsequent global economic crisis, Georgia would already be feeling the economic effects of the Nagorno-Karabakh war. As it stands, it is difficult to tell precisely how much of our reduced economic activity with Armenia and Azerbaijan can be attributed to the pandemic, and how much to the conflict. One thing is certain: war reduces economic activity. It particularly affects foreign trade, international tourism, and investment – income streams that are vitally important for Georgia.

Georgia's closest links with Armenia and Azerbaijan are through foreign trade and tourism. In 2019, Azerbaijan was Georgia's fourth-largest partner in terms of volume of trade, followed by Armenia in fifth spot. Georgia exported goods worth $449 million to Azerbaijan and $412 million to Armenia in 2019. Imports from Azerbaijan and Armenia were worth $559 million and $267 million respectively.

Against the background of the pandemic, Georgian exports to Azerbaijan fell by 9% to $328 million between January to September 2020. However, as



the volume of exports to other countries decreased even more sharply, Azerbaijan became the second-largest export destination for Georgian goods, behind only China. Georgia's main exports to Azerbaijan are automobiles, medicine, cigarettes, and agricultural products.

Between January to September 2020, Georgian exports to Armenia fell by 49% to $139 million. Armenia is now the seventh-largest export destination for Georgian goods. Georgia's main exports to Armenia are automobiles, agricultural products, medicine and mineral fertilizers.

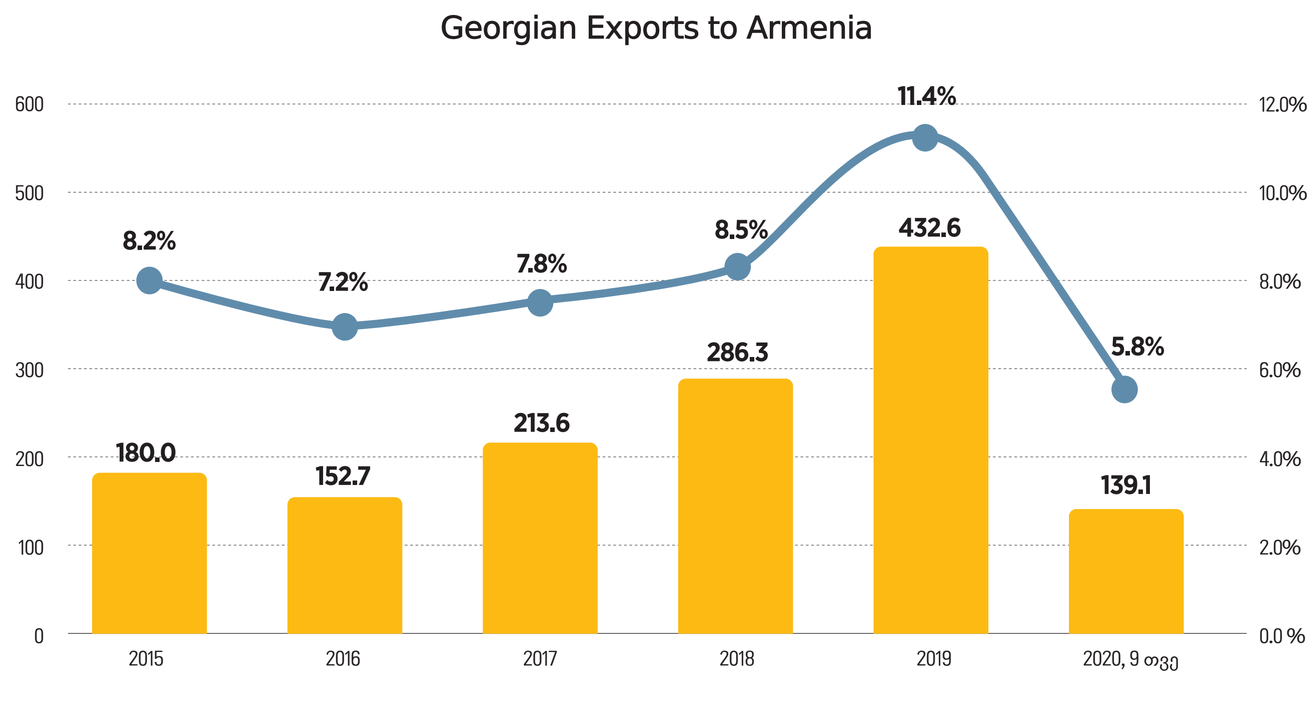
In 2019, the largest number of visitors to Georgia came from Azerbaijan (1.5 million people), with Armenia in third place with 1.4 million visitors. Overall, Azerbaijan and Armenia accounted for almost a third of all visitors to Georgia (31%). Georgia collected $3.3 billion in revenue from tourism in 2019. However, as visitors from Azerbaijan and Armenia do not tend to be high spenders, they only accounted for approximately a fifth of the total revenue from tourism ($600 million).

As mentioned earlier, the Nagorno-Karabakh war was preceded by the pandemic, which hit the tourism sector hardest. The number of visitors from Azerbaijan fell by 76% between January to September 2020, while the number of visitors from Armenia decreased by 75%. Georgia lost approximately $300 million in revenue due to this decline in visitor numbers.

With regards to Georgian dependency on Azerbaijani and Armenian investment, it is only worth focusing our attention on Azerbaijan. Investment from Armenia is minimal, and even if it were to cease completely, the Georgian economy would remain largely unaffected. From 2015 to 2019, the total value of investment from Armenia was $47 million, which is 0.6% of total investment in Georgia during this period. On the other hand, investment from Azerbaijan totaled $1.9 billion during the last five years, which is 24% of the total investment. The flow of direct investment from Azerbaijan is mainly linked to the construction of international pipelines and the expansion of the SOCAR network of petrol and gas stations.

Due to the pandemic, the volume of investment from Azerbaijan decreased by 150% during the first half of 2020, meaning that instead of collecting revenue, we witnessed an outflow of investment. In recent years, significant investment from Azerbaijan was mainly linked to the construction of the Shah Deniz-2 gas pipeline. Consequently, in the absence of new large-scale projects, the volume of investment from Azerbaijan would have declined even in a peaceful environment.

The bottom line is as follows: whatever damage the Nagorno-Karabakh conflict could have inflicted on the Georgian economy, had already been inflicted by the pandemic. Nevertheless, as we expect to have a vaccine against the Coronavirus soon, we are likely to witness the start of an economic recovery in almost all countries next year. Some economies are even expected to recover quite rapidly. The on-



Source: GeoStat

going Nagorno-Karabakh conflict presents a challenge to future economic activities. 2021 will be a difficult year for the economies of both Azerbaijan and Armenia. Subsequently, Georgia is also unlikely to recover the losses that it suffered this year.

Any damage to the international network of oil and gas pipelines because of the armed conflict would constitute the heaviest possible blow to Georgia. Not only would gas supplies be cut off, but also the country would also lose significant income from transit fees. For example, Georgia collected $318 million from oil and gas transit in 2019 and $163 million in the first half of 2020.

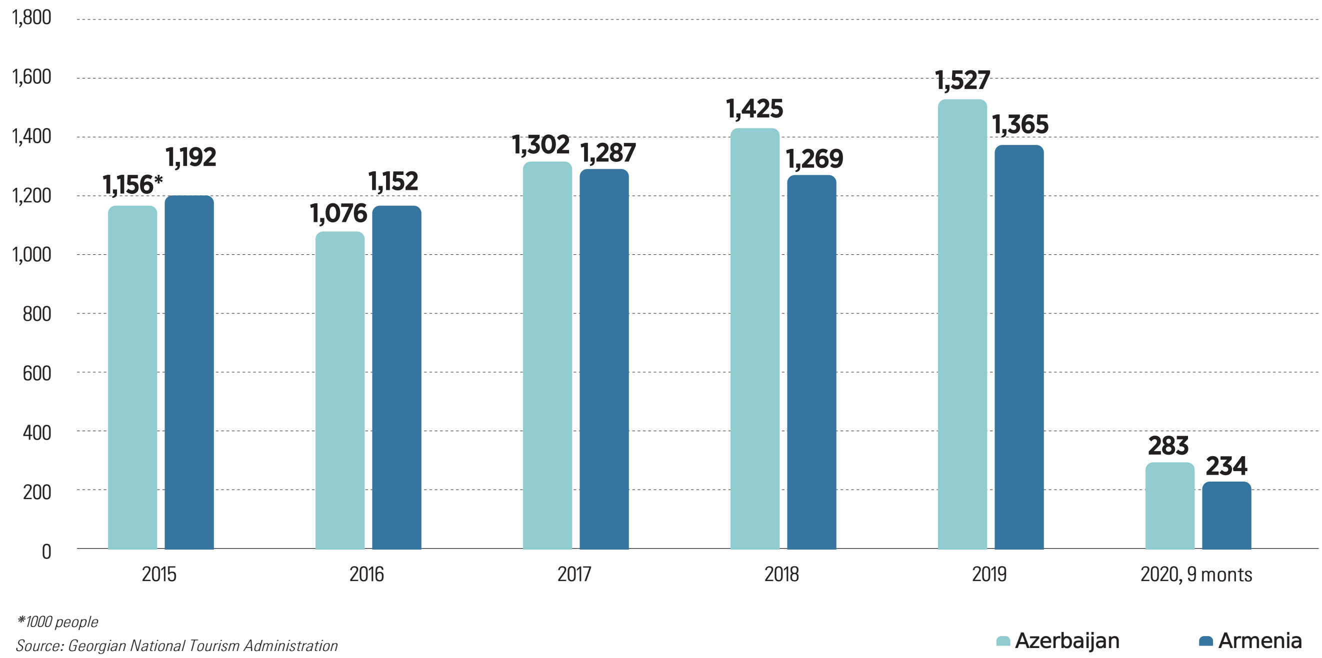
The devaluation of the lari against the Azerbaijani manat (by 15%) and the Armenian dram (by 12%) since March this year will give Georgia an advantage in trade with the two countries. More specifically, a weaker lari will help Georgian exports.

If we assume that the economies of Azerbaijan and Armenia will remain in their current state in the near future, Georgia stands to lose approximately $270 million in revenue from declining exports and up to $500 million in revenue from tourism. Additionally, the volume of investment from Azerbaijan will decrease by $50 million, meaning that total losses will exceed $800 million. This will be the year-on-year loss for 2020. Should the armed conflict between Azerbaijan and Armenia continue, Georgia would risk losing the same amount in 2021 as well.

Apart from the direct effects of the war, the conflict has also made it difficult to manage the epidemiological situation in Azerbaijan and Armenia. The latter is ranked 12th in the world by the number of infections and 21st by the number of deaths per capita. Azerbaijan was more successful in controlling the spread of the virus, but the number of new daily infections has increased threefold since October.

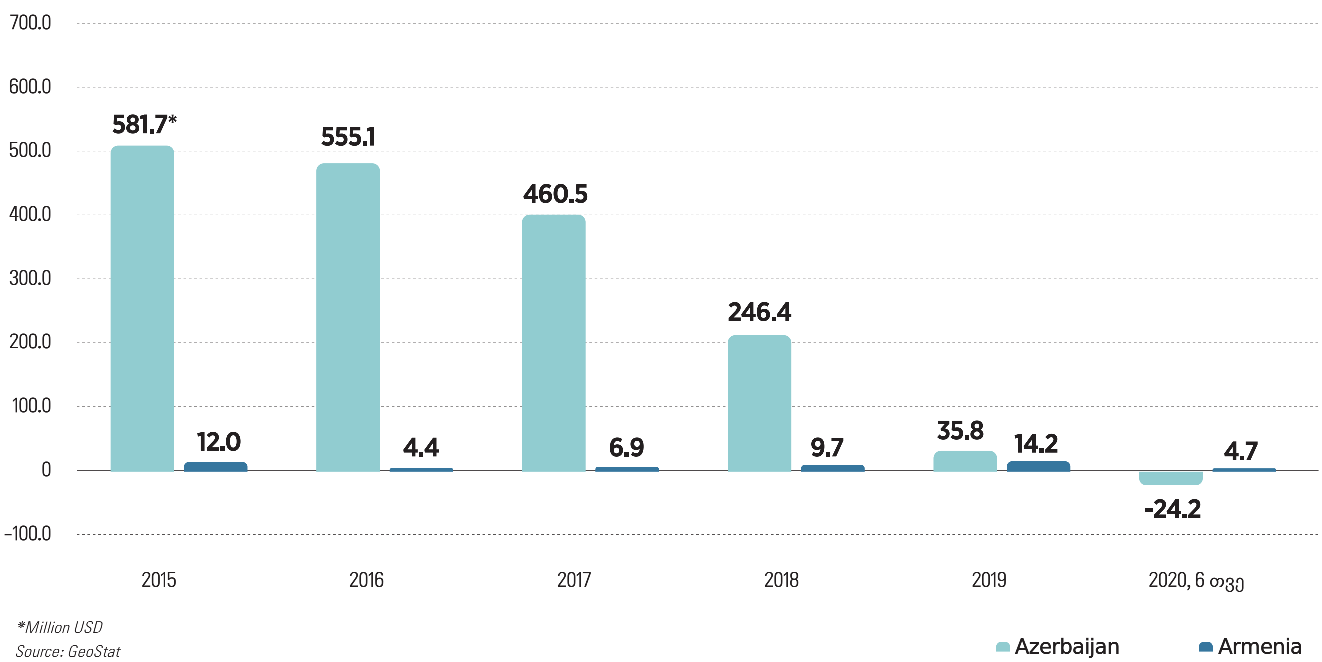
We have examined the direct impact that the deepening problems within the economies of Azerbaijan and Armenia may have on the Georgian economy. We must also bear in mind that a prolonged armed conflict in Nagorno-Karabakh would mean that our region will be considered less safe. This will have a negative effect on Georgia, as the investment climate will become riskier. Regardless of other circumstances, the volume of foreign investment in Georgia would decrease and economic growth would slow down. At this stage, it would be difficult to quantify the damage that Georgia would suffer in terms of lost investment. Calculations are also made difficult by the ongoing pandemic. It is currently impossible to separate the damage caused by the war and the pandemic. We can only state with relative certainty that in 2020 Georgia stands to lose more than $800 million due to the armed conflict and the pandemic in Azerbaijan and Armenia.

Number of Visitors to Georgia from Azerbaijan and Armenia



*1000 people
Source: Georgian National Tourism Administration

Foreign Direct Investment in Georgia from Azerbaijan and Armenia



*Million USD
Source: GeoStat

A New Year Every Two Months? Year-End Celebrations Around the World

by Katharina Buchholz

IN AUGUST, Muslim countries rang in a new year on the Islamic calendar. 1442 AH will last from Aug 20, 2020, to approximately Aug 8, 2021 - twelve days shorter than the 365 days of the Gregorian year. The date set by Saudi Arabia is based on astronomical calculations of moon cycles and while many countries in the region follow the Saudis' lead, others wait until they can spot the new moon themselves, causing slightly different observation dates for the holiday.

Like the Islamic New Year, many regional new year's celebrations rely on lunar calendars, causing their dates to vary each year in relation to the Gregorian calendar, which is based on one revolution of the Earth around the sun. Because the Islamic year is the only one which is significantly shorter than the solar year, the Islamic celebration is also the only one which can occur in any month of the Gregorian calendar.

Saudi Arabia until recently condemned new year's celebrations on Jan 1 and only this year allowed fireworks to take place on the date for the first time. Jan 1 celebrations have also caused debate in Uzbekistan, where the Persian New Year Nowruz is celebrated in March and traditionally minded Uzbeks would like to see Jan 1 celebrations - a Soviet legacy - disappear. Nowruz is considered the main new year's celebration - and main festival of the year - in Iran and Afghanistan, while it is celebrated as "Spring Festival" in much of Central Asia.

In Southeast Asia, Jan 1 and regional celebration Songkran coexists peacefully. Its date used to be determined by the lunar Hindu calendar, but has since received set Gregorian dates varying slightly by country for convenience's sake. In India, the Hindu calendar's new year is celebrated on various days in March and April depending on the region, while Jan 1 celebrations are also popular. In China, where the lunar new year occurs in January or February, Jan 1 is a public holiday but rather insignificant compared to the massive Chinese new year's celebration lasting seven days.