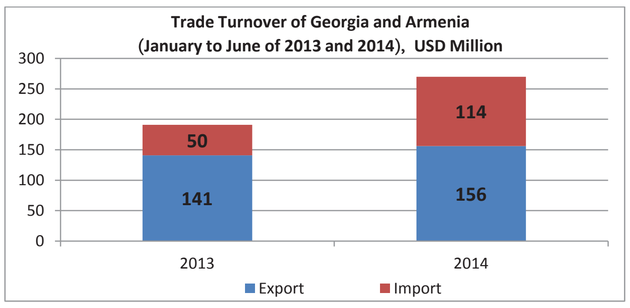
GRASS FACTCHECK

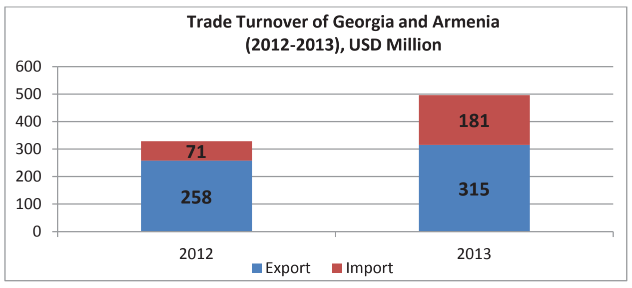
Irakli Gharibashvili: "We increased the trade turnover with Armenia by 42% in the first six months of 2014 and by 50% last year as compared to 2012."

Vasil MAMULASHVILI
FactCheck

On 21 August 2014, during his visit to Armenia, the Prime Minister of Georgia, Irakli Gharibashvili, made a statement: "We increased the trade turnover with Armenia by 42% in the first six months of 2014 and by 50% last year as compared to 2012. This indicated that the trade relations between our countries are improving."

FactCheck took interest in the numbers stated by the Prime Minister and verified their accuracy.





According to the data of the National Statistics Office of Georgia, export from Georgia to Armenia amounted to USD 141 million from January to June 2013 whilst the import was equal to USD 50 million. Hence, the trade turnover between the two countries amounted to USD 191(141+50) million.

Export from Georgia to Armenia amounted to USD 156 million from January to July 2014. The total value of import from Armenia to Georgia in the same period was equal to USD 114 million. Hence, the trade turnover between the two countries amounted to USD 270 (156+114) million.

Accordingly, the trade turnover between Georgia and Armenia increased by 41.4% in the first six months of 2014 which is quite close to the number stated by Mr Gharibashvili (42%).

We also checked the accuracy of another part of the statement where the Prime Minister said that the trade turnover between Armenia and Georgia increased by 50% in 2013 as compared to 2012.

According to the data of the National Statistics Office of Georgia, export from Georgia to Armenia amounted to USD 258 million in 2012 whilst the import was equal to USD 71million. Hence, the trade turnover between the two countries amounted to USD 329 (258+71) million.

As for 2013, the export from Georgia to Armenia amounted to USD 315 million whilst the import was equal to USD 181 million. Hence, the trade turnover between the two countries amounted to USD 496 (315+181) million.

Accordingly, the 2013 trade turnover between Georgia and Armenia increased by 51.1% as compared to that of 2012, confirming Mr Gharibashvili's statement.

The lightweight motor vehicles constituted the largest segment of export from Georgia to Armenia in the first six months of 2012, 2013 and 2014. The second position was held by wheat and meslin in 2012 and 2013 whilstmineral or chemical fertilisers held the second place from January to June 2014.

Cement was the largest segment of export from Armenia to Georgia in 2012 whilst in the first two quarters of 2013 and 2014 the position was held by copper ores and concentrates. In all three periods, carboys, bottles and other glass containers held the second position.

CONCLUSION

According to the National Statistics Office of Georgia, the trade turnover between Armenia and Georgia was equal to USD 191 million in the first six months of 2013 whilst in the same period of 2014 it was equal to USD 270 million which is 41.4% more.

The trade turnover between Armenia and Georgia was USD 329 million whilst in 2013 it was equal to USD 496 million, amounting to 51.1% growth.

FactCheck concludes that Irakli Gharibashvili's statement: "We increased the trade turnover with Armenia by 42% in the first six months of 2014 and by 50% last year as compared to 2012," is TRUE.

TRUE

EUROPEAN ENDOWMENT FOR DEMOCRACY
G|M|F The German Marshall Fund of the United States
STRENGTHENING TRANSATLANTIC COOPERATION

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Banks in Georgia Finished 2014 With 43.8 million GEL Profit

The volume of lending by commercial banks (including loans to non-residents) in August 2014 increased by 41.4 million GEL (0.4 percent) compared to the previous month, constituting 11.1 billion GEL by September 1, 2014, according to National Bank of Georgia. The volume of loans provided in the national currency increased by 0.9 million GEL (0.02 percent) and the volume of loans in foreign currencies increased by 40.4 million GEL (0.6 percent).

By the end of August 2014, commercial banks issued 1.3 billion GEL worth of national currency-denominated loans (3.7 percent, or 48.6 million GEL, less than in the previous month) to resident legal entities and 4.2 billion GEL worth of loans in foreign currencies (0.7 percent, or 29.9 million GEL, more than the previous month).

Of the total volume of lending to legal entities, the biggest share falls on trade-30.1 percent. Compared with the previous month, in August 2014 the volume of loans provided for trade decreased by 3.6 percent, or 61.1 million GEL, and constituted 1.6 billion GEL.

The share of loans provided to the industrial sector constituted 22.7 percent of all loans to legal entities, amounting to 1.2 billion GEL by September 1, 2014 (0.02 percent, or 0.2 million GEL, less than in August 1, 2014); 7.3 percent falls on construction, amounting to 399.3 million GEL (a decrease of 2.3 percent, or 9.3 million GEL). Therefore, 60.1 percent of the total volume of lending to legal entities falls on only three sectors - industry, construction and trade.

The volume of lending to resident individuals increased by 0.7 percent, or 36.9 million GEL, during August 2014 and constituted 5.4 billion GEL by September 1, 2014.

As of September 1 2014, the banking sector in Georgia is represented by 21 commercial banks, including 17 foreign-controlled banks and two branches of non-resident banks. Compared with the previous month, the total assets of Georgian commercial banks increased (in current prices) by 0.2 billion GEL (or by 0.9 percent) and constituted 18.6 billion GEL. The banking sector's own funds (equity capital) equal 3.3 billion GEL, which makes up 17.7 percent of the commercial banks' total assets.

The share of foreign capital in banks' total paid-in capital constituted 78.5 percent.

In August 2014, the banking sector finished with a net profit of 43.8 million GEL.

The five banks with the largest assets constituted 75.5 percent of the total share of assets in the banking sector.

30% Salt Reduction by 2025

"IF THE TARGET TO REDUCE SALT BY 30% GLOBALLY BY 2025 IS ACHIEVED, MILLIONS OF LIVES CAN BE SAVED FROM HEART DISEASE, STROKE AND RELATED CONDITIONS," WHO

The FINANCIAL

World Health Organization has called on countries to take action on the overuse of salt by implementing WHO's sodium reduction recommendations to cut the number of people experiencing heart disease and stroke, and, in turn, save lives.

Noncommunicable diseases, including heart disease and stroke, are the leading causes of premature death in the 21st century. WHO is supporting governments to implement the "Global action plan to reduce noncommunicable diseases" that comprises nine global targets, including one to reduce global salt intake by a relative 30% by 2025.

"If the target to reduce salt by 30% globally by 2025 is achieved, millions of lives can be saved from heart disease, stroke and related conditions," says Dr Oleg Chestnov, WHO Assistant Director-General for Noncommunicable Diseases and Mental Health.

The main source of sodium in our diet is salt. It can come from sodium glutamate and sodium chloride, and is used as a condiment in many parts of the world. In many countries, 80% of salt intake comes from processed foods such as bread, cheese, bottled sauces, cured meats and ready-made meals.

INCREASED RISK OF HYPERTENSION/ HIGH BLOOD PRESSURE, HEART DISEASE AND STROKE RISKS

Consuming too much salt can lead (or contribute) to hypertension, or high blood pressure, and greatly increase the risk of heart disease and stroke.

On average, people consume around 10 grams of salt per day. This is around double WHO's recommended level from all sources, including processed foods, ready-made meals and food prepared at home (less than 5 grams or under one teaspoon per day). WHO recommends that children aged 2 to 15 years consume even less salt than this, adjusted to their energy requirements for growth.

WHO says governments must ensure that food manufacturers and retailers reduce the levels of salt in food and beverage products; They should reach agreements with the industry to ensure that manufacturers and retailers make healthy food (with low salt) available and affordable;

They must foster healthy eating environments (that promote salt reduction) in public places such as schools, hospitals, workplaces and public institutions;

Most Common Secondary Level Languages in EU

The FINANCIAL

In the **EU28** in 2012, **English** was still the most commonly studied foreign language at lower secondary level, with 97.1% of pupils learning it, far ahead of **French** (34.1%), **German** (22.1%) and **Spanish** (12.2%). The importance of English as a foreign language in the EU is also confirmed by its leadership in nearly all Member States.

Since Croatia's accession, there are 24 official languages recognised within the EU. In addition there are indigenous regional, minority languages and languages that have been brought into the EU by migrant populations.

On the occasion of the European Day of Languages, celebrated each year on 26 September, **Eurostat, the statistical office of the European Union**, publishes data on language learning at school. The general objectives of this event are to alert the public to the importance of language learning, to promote the rich linguistic and cultural diversity of Europe and to encourage lifelong language learning in and out of school.

MORE AND MORE PUPILS LEARN SPANISH AT LOWER SECONDARY LEVEL IN THE EU

The proportions of pupils at lower secondary level studying **English**, **French**, **German** or **Spanish** as a foreign language have each increased between 2005 and 2012 at the EU level, albeit in different ways. The most remarkable increase in relative terms during this period was recorded for the learning of **Spanish**, from 7.4% of the total pupils at lower secondary level learning it in 2005 to 12.2% in 2012.

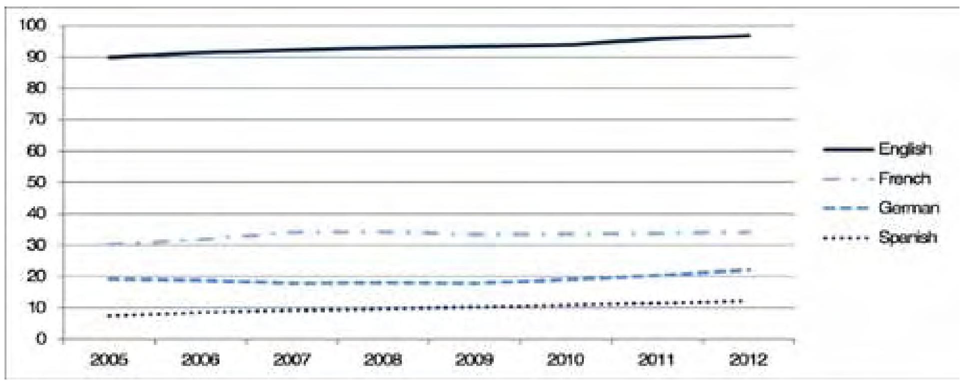
FRENCH STUDIED BY 34% OF PUPILS AT LOWER SECONDARY LEVEL IN THE EU28, GERMAN BY 22%

In 2012 at lower secondary level, **English** was the most commonly studied foreign language in the **EU28**, with shares above 90% of pupils in all Member States except **Belgium** (45.4%), **Luxembourg** (54.4%), **Hungary** (62.6%), **Bulgaria** (86.2%) and **Portugal** (86.4%). Between 2005 and 2012, the proportion of pupils learning English at lower secondary level increased in nearly all Member States, except **Portugal** (from 98.3% in 2005 to 86.4% in 2012), **Spain** (from 98.4% to 98.1%) and **Latvia** (from 96.2% to 96.1%).

French was studied by more than half of pupils at this level in **Luxembourg**[3] (100.0%), **Cyprus** (91.7%), **Romania** (85.7%), **Italy** (69.9%), **Ireland** (63.5%), the **Netherlands** (57.7%) and **Portugal** (57.4%). Among Member States for which data are available, the proportion of students at lower secondary level learning French as a foreign language decreased between 2005 and 2012 in fourteen Member States, increased in nine and remained stable in **Luxembourg**.

At least half of the pupils at lower secondary level were studying **German** as a foreign language in 2012 in **Luxembourg**[3] (100.0%), **Denmark** (73.5%), **Poland** (69.2%), the **Netherlands** (51.5%) and **Slovakia** (50.2%), while **Spanish** was studied by more than a fifth in **Sweden** (42.3%), **France** (36.2%), **Portugal** (21.6%) and **Italy** (20.5%). The learning of Spanish has increased or remained stable between 2005 and 2012 in all of the Member States for which data are available.

English, French, German and Spanish learning at lower secondary level in the EU, 2005-2012
(as % of the total pupils at this level)



The EBRD Upgrades Yerevan's Metro

The FINANCIAL

Yerevan's state-owned metro was triumphantly opened in 1981 with the ambition of becoming the backbone of the public transport in Armenia's capital. However, after 33 years of operation, lack of investment has taken its toll on the metro's safety and passengers' experience of travel, according to EBRD.

Other serious challenges have emerged too, including the introduction of competitive minibus services and growing car ownership in Yerevan. The decline in the use of the metro has in turn caused overcrowding of the city's roads and increased traffic and road safety problems.

For Yerevan, keeping the metro system, which serves over 1.9 million people a year, at the heart of the city's life has become one of its highest priorities, according to EBRD.

"This is an important project for Yerevan, which will be implemented with the government's support and will improve significantly the quality of transport services in the city," said Valery Harutyunyan, the President of the Board of Directors of Yerevan Metro company.

Since 2010 the EBRD, EIB and EU have contributed a total of €30 million for the improvements carried out in two phases. So far, completed investments include rehabilitation of the track and power supply systems, purchase of a maintenance trolley, upgrade of the depot and replacement of the water pumps removing ingress water from the tunnels.

GRASS FACTCHECK

Giorgi Kvirikashvili: "The rating of Georgia has improved in the ratings of Moody's credit rating agency. The agency has changed its assessment from stable to positive."

Veriko SUKHIASHVILI
FactCheck

During the a government meeting held on 26 August 2014, the Minister of Economy and Sustainable Development of Georgia, Giorgi Kvirikashvili, made a statement: "The rating of Georgia has improved in the ratings of Moody's credit rating agency. The agency has changed its assessment from stable to positive. This is good news not just for loans but for companies as well. It will make it easier for them to attract financial resources."

FactCheck took interest in this statement and verified its accuracy.

Moody's is one of the biggest international credit rating agencies in the world. Moody's sets ratings for creditors, taking into consideration the financial risks and possible losses in the case of a failure to fulfil obligations.

On 22 August 2014, Moody's changed the rating of Georgia and promoted it from stable to positive (BA3). In the medium-term perspective this will facilitate the improvement of the external position of the country. The BA3 rating will protect the Georgian economy from external and geopolitical risks in the near future.

We carefully examined the Moody's report about changing Georgia's rating.

The report says that "the rationale for changing the outlook was the Association Agreement signed between Georgia and the European Union on 27 June 2014 as well as the improvements in Georgia's economic governance and institutional capacity since the Rose Revolution of 2003."

The European Union is one of Georgia's largest trading partners. In 2013, Georgia's goods exported to the EU accounted for 21% of total goods exports whilst Foreign Direct Investment (FDI) from the EU (mostly from the Netherlands, Luxembourg and Germany) accounted for 43% of all FDI over the period from 2010 to 2013. The DCFTA is expected to strengthen the role of the EU, both as an export destination and source of investment for Georgia.

The report also points out that the reforms implemented by the Georgian Government since 2003 have improved the ratings of the country in world rankings. "According to the World Bank's 2014 'Ease of Doing Business' survey, for example, Georgia ranked 8^{th} out of the 189 countries surveyed, an improvement on its 100^{th} place (out of 155 countries) in 2005. Georgia ranked 72^{nd} out of 148 countries in the 2013-14 World Economic Forum's Global Competitiveness Index, up from 77^{th} in the previous survey (2012-13). Lastly, according to the 2012 World Bank governance indicators for government effectiveness, the rule of law and the control of corruption, Georgia is positioned, respectively, 48^{th}, $63^{rd}$and 50^{th} (out of the 122 countries rated by Moody's and that are covered by the survey)." Moody's believes that the changes in the rating will facilitate the improvement of the external position of Georgia and help to narrow the fiscal deficit.

"Moody's expects Georgia's external debt will stabilise and start to fall over the short to medium term given sustained net FDI and a progressive narrowing of the current account deficit. External debt reached 82% of GDP in 2013 or 65% of GDP if intra-company debt is excluded from the calculation (which represents less risk from a balance of payments crisis perspective as it is more likely to be rolledover). At present, this exceeds the median and mean for BA-rated countries (both around 50% of GDP)."

For additional information about Moody's ratings **FactCheck** examined an interview witheconomist, Roman Gotsiridze, who discussed this issue with the GHN news agency.

Mr Gotsiridze stated: "Moody's ratings reflect the ability of a country to service its external obligations on time. They also show how big its loans are and whether or not there is a danger for them to cause problems for the development of the economy. As for this particular case, there have been no important changes in the rating; major parameters are the same and only the outlook of the future trends have changed. The outlook for the future has changed from stable to positive. Thus, to put it correctly, the rating has improved and that, of course, is good."

Roman Gotsiridze also explained the reasons for the improvement of the rating: "There are several reasons, the first being technical while the second is institutional. The first is the reduction of external debt. The current year has been quite hard in terms of servicing the external debt. The National Bank fully repaid its debt to the International Monetary Fund. The government also covered a significant amount of the debts. Stopping the devaluation of the*lari* also had a big effect as it was a major issue from November to January and drained the foreign currency reserves by USD 470 million. In the last six months the exchange rates stabilised and the National Bank boosted its reserves by USD 100 million in August... The second reason for the improvement of the rating is the ratification of the Association Agreement with the European Union meaning that the perspectives are good, provided that we shall use them properly. The word 'positive' in the ratings reflects this approach."

CONCLUSION

According to Moody's, the ratings of Georgia's economic conditions have moved from stable to positive. This is a significant incentive for foreign investors and for improving international trade relations. The changes in the rating mean that there are better conditions and fewer risks for foreign direct investments.

FactCheck carefully examined the Moody's report about changing Georgia's rating. Hence, we conclude that Giorgi Kvirikashvili's statement: "The rating of Georgia has improved in the ratings of Moody's credit rating agency. The agency has changed its assessment from stable to positive," is TRUE.

TRUE