FactCheck

GRASS FACTCHECK

According to **Giorgi Kakauridze**, the yearly increase of the excise tax on tobacco is due to the Association Agreement between Georgia and the EU and the State Strategy on Tobacco Control.

Lasha SENASHVILI

FactCheck

On 28 November 2014, Deputy Minister of Finance of Georgia, Giorgi Kakauridze, presented the Parliament with an amendment bill to the Tax Code of Georgia. He also elaborated upon the amount of excise tax on tobacco. According to him, the yearly increase of the excise tax on tobacco is due to the Association Agreement between Georgia and the EU and the State Strategy on Tobacco Control.

With the initiative of the Government of Georgia, the Ministry of Finance of Georgia prepared a bill according to which the excise tax on one package of filtered cigarettes will be increased by 15 *tetri* and by five *tetri* on non-filtered cigarettes. In addition, according to the bill, the so-called mixed system will be enacted from 1 July 2015. According to this new mechanism, the excise duty on one package of filtered or non-filtered cigarettes (20 cigarettes in each) will be the sum of the excise tax as determined by the Tax Code of Georgia and 5% of the retail price.

On 30 June 2013, the Government of Georgia ratified the State Strategy on Tobacco Control. The main aim of the Strategy is to reduce the overall level of consumption of tobacco in the country. The foreword of the Strategy says: "By ratifying the framework convention on tobacco control of the World Health Organisation, Georgia, along with 178 other countries, committed itself to implementing various steps for tobacco control. With this, Georgia indicated that tobacco control is one of the priorities of the country. However, only a small portion of our commitments have been implemented in reality." Article Six of the Framework Convention on Tobacco Control of the World Health Organisationdoes indeed talk about increasing the prices of tobacco; however, the exact number of the price increase for the signatories is not specified.

According to the State Strategy on Tobacco Control, one of the measures for reducing demand on tobacco is to gradually increase the price; however, international conventions and the interests of the country must be taken into account during the process. According to the 29 November 2013 Directive No. 304 of the Government of Georgia, the 2013-2018 changes package, aiming to decrease the consumption of tobacco, includes, among other things, the increase of excise tax on tobacco.

The Association Agreement with the European Union also refers to the issue of excise tax on tobacco. Article 283 of the Agreement states: "The parties of the agreement shall strengthen their cooperation and harmonise their policies in order to avoid fraud and contraband connected with the excise goods. The aforementioned cooperation includes the gradual harmonisation of excise tariffs on tobacco, taking into account the possibilities in the regional context and based upon the Framework Convention on Tobacco Control of the World Health Organisation. In order to reach this goal, the parties of the agreement shall try to strengthen their cooperation in the regional context." Annex No. 22 of the Agreement also determines which directives and in what time they must be fulfilled by Georgia.

On 21 June 2011, the Council of the European Union adopted a Directive on the Structure, Rate and Amount of the Excise Tax on Produced Tobacco. The Directive created the general principles of taxation for different types of tobacco. Specifically, the minimum excise tax on one package of tobacco constitutes 57% of its average price. In addition, the Directive sets a minimum amount of excise tax (EUR 64 per 1,000 cigarettes).

According to Section One of Article 7 of the text, cigarettes produced in the EU or imported from the third countries are subject to excise tax proportional to their price (*ad valorem*). It is calculated based upon the maximum commercial price which includes the customs duty and a special excise tax calculated for each unit of the product.

Section Three of the same Article also states that on the final level of structure harmonisation, the ratio of the special excise tax to *ad valorem* excise tax and the circulation tax in each member state must be equalised in the manner that the range of the market prices adequately reflects the delivery price of the manufacturer. In addition, according to Section Four, the European Union allows the member state, in the case of absolute necessity, to impose a minimal excise tax.

It should be noted that Chapter Ten of the Directives,adopted by the Council of the European Union, also talks about certain member states which were allowed, due to internal market necessities, to gradually enact new regulations by 31 December 2017.

CONCLUSION

FactCheck's study found that the Framework Convention on Tobacco Control of the World Health Organisation and the five-year Strategy of the Government of Georgia on Tobacco Control do indeed include the growth of the excise tax on tobacco; however, none of the aforementioned documents call for the increase of the excise tax every year. The Association Agreement with the European Union provides for the gradual harmonisation of the structure and rate of the excise tax on tobacco, in the five-year period, following the enactment of the Agreement. It does not call for the annual growth of the excise tax as stated by the Deputy Minister.

Based upon the aforementioned facts, **FactCheck** concludes that Giorgi Kakauridze's statement is **MOSTLY FALSE.**

MOSTLY FALSE

EUROPEAN ENDOWMENT FOR DEMOCRACY

G|M|F The German Marshall Fund of the United States

STRENGTHENING TRANSATLANTIC COOPERATION

Kingdom of the Netherlands

57% of Americans Believe Solar Energy Will Make Major Contributions... in 15-20 Years

The FINANCIAL

These are some of the results of The Harris Poll of 2,205 U.S. adults surveyed online between October 15 and 20, 2014. On the other hand, when pushed to look 15-20 years into the future, American confidence flips: over half (57%) the population feels it will make a major contribution, while 35% believe it will make a minor contribution and only 8% expect that solar energy will make hardly any contribution at all.

As for whether Americans believe we now have the technological know-how for solar energy to become a really important part of our nation's energy needs, the answer for the majority is that we do (63%), while 20% believe that we do not and 17% are not sure at all.

THE SUN IS STILL SHINING

Interestingly, when these same questions were asked in a Harris Poll six years ago, adults showed similar levels of confidence in the promise of solar. At the time, 27% felt solar energy would make a major contribution in the coming 2-5 years (making for a 4-point increase to today's 31%) while 60% stated solar energy would make a major contribution in the next 15-20 years (with today's 57% this representing a 3-point drop).

Confidence in our technological know-how has marginally increased, with the 63% who currently feel we have the technological know-how for solar energy to become a really important part of our nation's energy needs representing a 4-point increase over the 59% of Americans who said the same in 2008, according to Harris Interactive Inc.

POLITICALLY CHARGED

Still looking at the potential contributions of solar energy to our overall energy needs in the future, American feelings are split along political party lines.

Democrats are more likely than Independents, and both are more likely than Republicans, to believe solar energy will make a major contribution in the next 2-5 years (39% vs. 29% vs. 22%, respectively).

This also holds true for feelings around contributions over the next 15-20 years with 69% of Democrats confident it will make a major contribution vs. 56% of Independents and 44% of Republicans.

Majorities across the political gamut acknowledge that we now have the technological know-how, though Democrats are still the most confident (73% vs. 61% Independents & 56% Republicans).

THINKING ABOUT THE SUNNY SIDE

The Harris Poll listed four separate solar energy products and asked whether adults have ever purchased or considered purchasing any of them. While only a few indicated owning a solar charger for personal electronic devices (5%), a solar system to provide electricity (3% Americans, 4% homeowners), a solar water heating unit (3% Americans, 4% homeowners), or a solar system to heat their homes (2% Americans & homeowners), higher percentages of Americans have considered making these purchases (29%, 34%, 25%, & 28% respectively), according to Harris Interactive Inc.

Millennials prove to be most likely to consider purchasing each one of these products:

Solar Charger : 38% Millennials vs. 28% Gen Xers, 25% Baby Boomers, & 19% Matures.

Solar System to Provide Electricity : 41% vs. 32%, 32%, & 21% respectively.

Solar Water Heating Unit : 31% vs. 23%, 22%, & 20% respectively.

Solar System to Heat Your Home : 36% vs. 26%, 25%, & 16% respectively.

WHO HAS THE SUNNIEST DISPOSITION?

When asked about those possibly under- or over-representing the promise represented by solar energy, pluralities are unsure about all groups tested (43% Republicans in Congress, 42% Democrats in Congress, 39% both U.S. Department of Energy and The White House, & 38% U.S. news media). Looking specifically among those Americans who did share an opinion, only small minorities feel any of the groups tested have represented the promise accurately (19% U.S. Department of Energy, 14% White House, 12% Republicans in Congress, 11% U.S. News Media, and 10% Democrats in Congress).

About half of adults who gave responses feel that The White House (50%) and Democrats in Congress (49%) are over-representing the promise of solar energy, while over four in ten feel the U.S. News Media (46%) and the U.S. Department of Energy (43%) are also doing so. Republicans and Independents are more likely than Democrats are to find each of these groups guilty of over-representation:

White House: 68% & 55% vs. 31%

Democrats in Congress: 66% & 55% vs. 32%

U.S. News Media: 61% & 52% vs. 30%

U.S. Department of Energy: 62% & 45% vs. 27%.

On the other hand, the majority of those with an opinion feel Republicans in Congress under-represent the promise of solar (63%). This is true across the political spectrum, albeit with Democrats and Independents (72% & 62%, respectively) more likely than Republicans (51%) to express this viewpoint, according to Harris Interactive Inc.

Developing Countries Need To Rebuild Fiscal Space to Weather Growth Slowdowns

The FINANCIAL – Faced with weaker export prospects, an impending rise in global interest rates, and fragile financial market sentiment, developing countries need to rebuild fiscal buffers to support economic activity in case of a growth slowdown, says the new edition of Global Economic Prospects, released by the World Bank Group. For many developing economies, lower oil prices have provided a timely opportunity for doing so, according to the World Bank Group.

In countries with elevated domestic debt or inflation, monetary policy options to deal with a potential slowdown are constrained. In the foreseeable future, these countries may need to employ fiscal stimulus measures to support growth. But many developing countries have less fiscal space now than they did prior to 2008, having used fiscal stimulus during the global financial crisis. And in recent years, private debt levels have risen substantially in some developing countries.

A key finding from the analysis in the report is that in countries where debt and deficits have widened from pre-crisis levels, each fiscal dollar spent on activities designed to boost consumption and national income will have roughly a third less impact than it did in the run-up to the global financial crisis. Because the so-called fiscal multiplier effect is weaker now for many developing countries, they need to rebuild budgets in the medium-term, at a pace determined to country-specific conditions. For a number of oil-importing countries, lower oil prices offer a chance to improve fiscal positions more quickly than might have been possible before mid-2014, according to the World Bank Group.

"With oil likely to remain cheap for some time, oil-importing countries should lower or even eliminate fuel subsidies and rebuild the fiscal space needed to carry out future stimulus efforts. On the policy front, both the size and the quality of fiscal deficits matter, as do spending decisions. Emerging market economies would do well to invest in infrastructure and support social schemes vital to poverty reduction. Such policies can raise future productivity and reduce the fiscal deficit in the long run," said Kaushik Basu, Senior Vice President and Chief Economist at the World Bank. "This year's Global Economic Prospects now goes beyond prediction and deepens our understanding of our global economic predicament."

The report documents how well-designed and credible institutional mechanisms—such as fiscal rules, stabilization funds, and medium-term expenditure frameworks—are instrumental in fostering growth and restoring depleted fiscal buffers.

"The rebuilding of fiscal buffers will provide the room required to support activity during times of economic stress. The need for additional fiscal buffers is more pronounced now in an environment of uncertain growth prospects, limited policy options, and likely tighter global financial conditions," said Ayhan Kose, Director of Development Prospects at the World Bank.

Self-Driving-Vehicle Features Could Represent a $42 Billion Market by 2025

Continued from p. 5

ket for autonomous features, representing roughly 25 to 30 percent of global unit sales by 2035.

"Carmakers need to act now to prepare for this future. A significant new market is still theirs for the taking," said Thomas Dauner, global leader of BCG's Automotive practice and a Stuttgart-based senior partner. "They should step up R&D investment in autonomous-driving features, with an expanded focus on software, sensor fusion, and system integration. OEMs would also have to address alternate market segmentation in order to adapt to new trade-offs that consumers will make between autonomy and other car features."

THE FUTURE IS NOW

Several original equipment manufacturers (OEMs), technology companies, and universities already have pilot projects under way or on the launch pad to test varying levels of self-driving capability. A number of near-term rollouts have been reported or announced. For example:

Daimler's Mercedes-Benz now sells a system that can pilot a car on a freeway, but its design requires the driver to keep a hand on the wheel. By 2016, the company plans to introduce Autobahn Pilot, which will allow hands-free highway driving with autonomous overtaking of other vehicles.

Tesla Motors plans to offer hands-free highway driving in its Model S electric sedans in 2015.

General Motors will offer Super Cruise in a new 2016 Cadillac sedan. The system will allow the car to automatically keep its lane, autonomously trigger braking, and control speed.

Volkswagen's Audi unit intends to roll out technology to enable autonomous driving in urban traffic around 2016.

Also in the 2016 time frame, Mobileye plans to launch, with two partner OEMs, the first hands-free-capable driving at highway speeds and in congested traffic situations.

Far-Reaching Implications for Transport and Related Sectors

Mass adoption of self-driving technology will carry with it tremendous economic and societal benefits, while disrupting business as usual for a wide variety of companies, including OEMs, mobility providers, and component makers.

The cost and safety advantages of fully automated "robo-taxis" could revolutionize city driving, especially in the developing world. BCG case studies for New York City and Shanghai show that AVs have the potential to be 25 to 35 percent cheaper than conventional taxis. In Shanghai, the cost of a ride in a robo-taxi would be less than the cost of driving a private vehicle, even if the robo-taxi carried only one passenger, according to BCG.

GRASS FACTCHECK

Nodar Khaduri:

Minister of Finance of Georgia

"The decrease of 'other incomes' in the state budget is mainly due to the decrease of the amount of fines."

Nodar CHACHANIDZE
FactCheck

On 14 November 2014, Minister of Finance of Georgia, Nodar Khaduri, presented the 2015 state budget project to the Parliament of Georgia. During his speech, the Minister stated: "You want to know why 'other incomes' have decreased? I would like to tell you that it is due to the decrease of fines. The amount of fines has decreased."

FactCheck compared the January to October 2014 "other incomes" of the income part of the state budget to that of the same period of the 2013 state budget. The "other incomes" of the 2013 state budget equalled GEL 232,153,000 whilst it amounted to 216,729,000 in the same period of 2014. Thus, "other incomes" have indeed decreased by GEL 15,424,000. The aforementioned section of the budget consists of five major components:

Income from property
Sale of goods and services
Sanctions (fines and penalties)
Voluntary transfers
Mixed and other non-categorised transfers

Nodar Khaduri said that the decrease of the amount of sanctions was the main reason for the decrease of "other incomes." Sanctions equalled GEL 94,831,500 from January to October 2013 whilst they amounted to GEL 61,190,200 in the same period of 2014. Hence, there was a GEL 33,641,300 decrease in sanctions in 2014. It is curious that the decrease is greater in the sanctions part than in "other incomes" as a whole.

Apart from sanctions, **FactCheck** also looked into the other components of "other incomes." We tried to find out whether or not the decrease of "other incomes" was due to the decrease of the amount of sanctions only. It should be pointed out that there were practically no changes in the sale of goods and services. It equalled GEL 48,761,000 in the first ten months of 2013 whilst it was GEL 48,646,100 in the same period of 2014.

An increase was observed in mixed and other non-categorised transfers. They amounted to GEL 43,730,800 in the first ten months of 2013 whilst reaching GEL 67,797,200 in the same period of 2014. There has been an unprecedented increase in the amount of voluntary transfers. It amounted to GEL 1,900 (0.1% of the plan) in 2013, GEL 0 in 2012 whilst it reached GEL 15,793,700 (929% of the plan) in 2014.

Apart from the category of sanctions, there has been a decrease in incomes from property. There was a GEL 21,525,500 decrease by October 2014 as compared to the same period of the previous year. Incomes from property consist of three components: interests, dividends and rent.

Other Incomes	2013 (10 Months)	Implementation of Annual Plan	2014 (10 Months)	Implementation of Annual Plan
Income from Property	44,827.1	62.3%	23,301.6	26.0%
Sale of Goods and Services	48,761.5	79.5%	48,646.1	70.8%
Sanctions (Fines and Penalties)	94,831.5	94.8%	61,190.2	61.2%
Voluntary Transfers (Not Including Grants)	1,900	0.1%	15, 793.7	929.0%
Mixed and Other Non-Categorised Transfers	43,730.8	67.3%	67,797.2	71.4%

CONCLUSION

According to the data of the first ten months of 2014, the income from sanctions decreased by GEL 33,641,300 as compared to the same period of the previous year whilst the income from property is down by GEL 21,525,500. In addition, "other incomes" as a whole decreased by GEL 15,424,000 only as the decrease in sanctions and property incomes has been partly balanced by the growth in transfers and mixed incomes. Hence, it is incorrect to say that the decrease in "other incomes" is mainly due to the decrease of the amount of fines and penalties.
It should also be noted that the initial "other incomes" plan of the first nine months of 2014 has been implemented by 71.6% and the deficit amounted to GEL 78 million.
Hence, the statement of the Minister of Finance of Georgia that the decrease of "other incomes" in the state budget is mainly due to the decrease of the amount of fines is **HALF TRUE.**

HALF TRUE