

## FactCheck



# Irakli Gharibashvili:

Prime Minister of Georgia

“In eight years, a total of 70 km of the highway was constructed during the office of the previous government... 55 km has been constructed during the two years of our time in office.”

Lasha SENASHVILI  
FactCheck

On 19 November 2014, Prime Minister of Georgia, Irakli Gharibashvili, and Minister of Infrastructure and Regional Development of Georgia, Davit Shviliashvili, opened 32 km of the Kutaisi bypass highway. According to the Prime Minister, a total of 55 km of the highway was constructed during the two years of the Georgian Dream coalition government whilst the previous government managed to construct only 70 km in eight years.

The construction of the high-speed highway (Tbilisi-Senaki-Leselidze) started in 2006. It consists of the E-60 (Poti-Tbilisi-Red Bridge) and E-70 (Poti-Batumi-Sarpi) highways. The length of the high-speed highway is approximately 390 km. As of 17 December 2014, a total of 127.7 km of the high-speed highway has been paved and traffic is open on 101 km.

According to the information received from the Roads Department of Georgia, a total of 57.6 km of highway has been constructed since 1 October 2012, 18 km of which was constructed after 1 October 2014. According to the same information, a total of

70 km of highway was paved from 2006 to 2012. According to the six-month report of the Roads Department of Georgia, the construction work was on-going on 131 km of highway in the first six months of 2014. According to the same report, the construction work is planned to be expanded on 140 km of highway by the end of 2014 whilst a total of 32.2 km on different parts of the highway was to be opened in 2014.

According to the information of the Roads Department of Georgia, the construction work has been on-going on seven different parts of the highway since 2013.

The construction of the Ruisi-Agara part of the Tbilisi-Senaki-Leselidze highway started on 17 December 2012. The construction of 11 km of highway was planned. A total of 5 km is open to traffic as of today and three additional parts will be open by the end of 2014.

The improvement of the Kutaisi new bypass highway of the Zestaponi-Kutaisi-Samtredia part of the east-west highway started on 25 November 2011 and was finished on 19 November 2014. A total of 16 km is now open to traffic. The reconstruction process of the Kutaisi new bypass highway of the Zestaponi-Kutaisi-Samtredia part of the east-west highway



started in July 2013. The construction work was finished on 15 km of road and this part of the highway has already been opened.

It should be noted that according to the information of the Roads Department of Georgia, the money necessary for the construction of all of the aforementioned parts of the highway was allocated before 1 October 2012. Specifically, the funding of the Kobuleti bypass road started in 2010, the funding of the construction and modernisation of the Zestaponi-Kutaisi-Samtredia part of the east-west highway started in 2011 and the funding of the construction and the modernisation work of the Ruisi-Agara part of the Tbilisi-Senaki-Leselidze highway started in 2012.

The funding of the construction and the modernisation work of the Samtredia-Grigoleti highway (50 km) and the Agara-Upper Osiauri part of the Tbilisi-Senaki-Leselidze highway started in 2013 and 2014. However, the letter from the Roads Department of Georgia does not specify the current stages of the construction work.

The construction work of the parts of the east-west highway which are finished as of today started before 1 October 2012. This is confirmed by the list sent to us by the Roads Department of Georgia.

## CONCLUSION

A total of 57.6 km of highway has been constructed since 1 October 2012. About 140 km of highway was under construction in 2014. According to the information of the Roads Department of Georgia, a total of 35 km of highway was open to traffic as of 18 December 2014 whilst an additional 3 km will be opened by the end of the year.

About 55 km of highway has indeed been paved since the Georgian Dream coalition assumed office; however, the context of Mr Gharibashvili's statement is not entirely accurate as the construction of the highway started in 2006. Hence, 70 km of highway was paved in six years of the United National Movement's office and not in eight years as stated by the Prime Minister. In addition, the construction of the parts of the highway, which are open today, including the 32 km Kutaisi bypass road, were planned and started before 1 October 2012. It should also be noted that only two lanes (and not four) of the Kutaisi bypass road are now open. Also, as pointed out earlier, the money necessary for the construction of most of the parts of the highway that are finished today was allocated well before 1 October 2012.

Hence, FactCheck concludes that the Prime Minister's statement is **HALF TRUE**.

**HALF TRUE**

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## Health

# New Worldwide Estimates for Herpes Simplex Virus Type

*The ultimate tool to prevent herpes is the development of a vaccine, but global partners will have to commit resources to help develop an effective vaccine that can be made available to people all over the world.*

The FINANCIAL

Over 400 million people worldwide were infected with the virus in 2012, according to New report by World Health Organization. The estimates underline the extent to which herpes simplex virus type 2 – the virus which causes genital herpes – is widespread throughout the world, causing a significant global burden of disease.

The new study is the first update of global herpes simplex virus type 2 estimates, since estimates for 2003 were published in 2008. Lead author, Dr. Katharine Looker,

from the University of Bristol, says, “Approximately 19 million people are newly infected with the virus each year”. More women are infected with the disease than men – in 2012, it was estimated that 267 million women and 150 million men were living with the infection. In 2012, prevalence was estimated to be highest in Africa (31.5%) followed by the Americas (14.4%), but high rates were seen across all regions, making herpes a global public health concern.

### EFFECTS OF INFECTION

Herpes simplex virus type 2 is mainly sexually transmitted, and can cause genital ulcer disease, which is characterised by the occasional appearance of painful genital ulcers. People infected with genital herpes can often experience feelings of stigmatisation and loneliness. Dr. Lori Newman, WHO expert on sexually transmitted infections, and senior author of the study, states, “Genital herpes can have a devastating effect on the social and psychological wellbeing of people who are infected”.

Genital herpes can also cause neonatal herpes when the virus is transmitted by a

mother to a newborn baby during labour through shedding of the virus. Whilst this is a relatively rare disease, it has devastating consequences, and is often fatal for the baby.

### HERPES TYPE 2 AND HIV

Herpes simplex virus type 2 is of particular concern due to its relationship with HIV. Studies have shown that people who are infected with herpes simplex virus type 2 are approximately three times more likely to become infected with HIV, and people with both HIV and herpes are more likely to spread HIV to others. In addition, infection with herpes simplex virus type 2 in people living with HIV often has a more severe presentation and can lead to serious but rare complications such as brain, eye, or lung infections.

There is no cure for herpes, says WHO, but there are antiviral medicines, such as acyclovir, famciclovir and valacyclovir which can reduce symptoms. In addition, the consistent and correct use of condoms as well as abstaining from sex while experiencing any of the symptoms of genital herpes can provide partial protection and help to reduce the spread of genital herpes.

# Real Estate Prices in Tbilisi: No Bubble, no Trouble

Continued from p. 2

ing in money from everywhere – otherwise it could not grow. If there was a huge movement of capital into real estate, the fact that in the short run the supply of real estate is fixed would have led to much more impressive price increases. In London, where the real estate market is arguably very bubbly, prices went up by 20% in one year, from mid-2013 to mid-2014, at a starting level which was already much higher than in Tbilisi.

Yet this is not the only argument. In addition to the price change, a real estate investor also gets a return from rent payments. Making the rent return comparable with the returns of other investments is not trivial, as the changes of the real estate prices affect the amount of money which is “stuck” in a real estate investment. If an apartment sells for \$10,000, then a yearly rent income of \$1,000 translates into a return of 10%. Next year, when the price has gone up to \$12,000, the return corresponding to the same rent payment is just a bit more than 8%. To take this into account, it is common practice to divide the average rent payments of each month by that month's average price of the houses and apartments for which those payments were made. We have done this calculation for Tbilisi and the result is shown in the chart. The data for interest rates and mortgage returns come from the National Bank of Georgia. The graph shows that

throughout 2014, the return on real estate is much higher than interest rate on deposits and mortgages. This means that with those real estate prices we had since February 2014, rent payments still generated a return between 10% and 14%.

Were we in a bubble, the rent income would become negligible compared to the return made from price changes, which is the reason why a signal that are bubble has developed in a real estate market is a lot of idle space which is used neither for residing nor for other purposes. In such a situation, everyone is just interested in selling the estate at a higher price, and tenants make this more difficult, in particular if by law it is not possible to arbitrarily increase the rent payments for existing tenants. Thus, in a bubble many owners prefer not to rent out their apartments and buildings.

As we do not see lots of unused space in Tbilisi, and as the rent payments are still such an important component of the total real estate returns, it is extremely unlikely that there is already a bubble in the market. However, as one can also see in the chart, the returns generated by rents have a downward trend, indicating that real estate prices are increasing relatively fast since February.

### GO ON BUT BE CAREFUL!

Real estate has the reputation to be among the most sol-

id of all investment options, and Georgians are very keen to transform their savings into real estate. Indeed, there are good reasons to prefer dachas to derivatives. While the dacha will never lose its entire value, the same cannot be said about a financial security. Moreover, if times turn really rough, people move into their dachas, while in such catastrophic scenarios financial securities and savings books from the banks can just be used to feed bonfires (and even this is not possible anymore with stock portfolios and savings accounts being entirely electronic).

The inclination to buy real estate and not bring money to the bank aggravates the problems of high interest rates and capital shortage which plague the Georgian economy. Rightfully, this does not concern the individual Georgian who pursue their limited private goals. Yet also from the narrow perspective of an individual, investing in real estate has downsides and risks, which become paramount should a bubble occur in future. Therefore, go on but watch out for bubbles!



# Government Debt Fell to 92.1% of GDP in Euro Area

DOWN TO 86.6% IN EU28

The FINANCIAL

At the end of the third quarter of 2014, the government debt to GDP ratio in the euro area (EA18) stood at 92.1%, compared with 92.7% at the end of the second quarter of 2014. In the EU28, the ratio decreased from 87.0% to 86.6%. This decrease in the EU28 government debt to GDP ratio comes after fifteen consecutive quarters of increase. Compared with the third quarter of 2013, the government debt to GDP ratio rose in both the euro area (from 91.1% to 92.1%) and the EU28 (from 85.3% to 86.6%).

At the end of the third quarter of 2014, debt securities accounted for 79.3% of euro area and for 81.0% of EU28 general government debt, loans for 17.9% and 15.3% respectively and currency and deposits for 2.8% and 3.7%. Due to the involvement of EU governments in financial assistance to certain Member States, quarterly data on intergovernmental lending (IGL) is also published. The share of IGL in GDP at the end of the third quarter of 2014 amounted to 2.4% in the euro area and to 1.8% in the EU28.



## GOVERNMENT DEBT AT THE END OF THE THIRD QUARTER 2014 BY MEMBER STATE

The highest ratios of government debt to GDP at the end of the third quarter of 2014 were recorded in Greece (176.0%), Italy (131.8%) and Portugal (131.4%), and the lowest in Estonia (10.5%), Luxembourg (22.9%) and Bulgaria (23.6%).

Compared with the second quarter of 2014, eighteen Member States registered

a decrease in their debt to GDP ratio at the end of the third quarter of 2014, nine an increase and Estonia no change. The highest decreases in the ratio were recorded in Cyprus (-5.1 percentage points - pp), Malta (-2.7 pp) and Hungary (-2.6 pp), and the highest increases in Bulgaria (+3.1 pp), Portugal (+1.9 pp) and Denmark (+1.6 pp).

Compared with the third quarter of 2013, eighteen Member States registered an increase in their debt to GDP ratio at the end of the third quarter of 2014, and ten a decrease. The highest increases in the ratio were recorded in Slovenia (+16.8 pp), Croatia (+7.3 pp) and Bulgaria (+6.6 pp), and the largest decreases in Ireland (-9.4 pp), Poland (-8.0 pp) and Luxembourg (-5.0 pp).

# The Proportion of Innovative Enterprises Fell Below 50% in the EU in 2010-2012

ORGANISATION AND MARKETING INNOVATIONS SLIGHTLY PREVAIL OVER PRODUCT AND PROCESS INNOVATIONS

The FINANCIAL

In the EU28, just under half (48.9%) of enterprises of 10 employees or more reported innovation activity during the period 2010-2012. The proportion of innovative enterprises in the EU28 dropped in 2010-2012 compared with both 2006-2008 (51.5% innovative enterprises) and the peak recorded in 2008-2010 (52.8%). This pattern was observed in the majority of Member States.

Innovation activities refer to product and process innovation as well as organisational and marketing innovation. Between 2010 and 2012, innovation in EU enterprises related mainly to organisation (27.5% of all enterprises), followed by marketing innovations (24.3%), product innovations (23.7%) and process innovations (21.4%). It should be noted that enterprises could have introduced innovations in more than one single area.

## HIGHEST PROPORTIONS OF INNOVATIVE ENTERPRISES IN GERMANY AND LUXEMBOURG

During the period 2010-2012, the highest proportions of enterprises with innovation activity were recorded in Germany (66.9% of enterprises), Luxembourg (66.1%) and Ireland (58.7%). On the contrary, less than 30% of enterprises had innovation activity in that period in Romania (20.7%), Poland (23.0%) and Bulgaria (27.4%).

## LARGEST FALLS IN THE SHARE OF INNOVATIVE ENTERPRISES IN CYPRUS AND GERMANY

Compared with 2006-2008, the share of innovative enterprises in the EU28 decreased by 2.6 percentage points in 2010-2012, from 51.5% to 48.9%. The largest falls in the proportion of innovative enterprises were observed in Cyprus (56.1% in 2006-2008 compared with 42.1% in 2010-2012, or -14.0 percentage points), Germany (-13.0 pp), Romania (-12.6 pp), the Czech Republic (-12.1 pp) and Spain (-9.9 pp). On the opposite end of the scale, the share of innovative enterprises increased the most in 2010-2012 compared with 2006-2008 in Malta (from 37.4% in 2006-2008 to 51.4% in 2010-2012, or +14.0 percentage points), followed by the Netherlands (+6.5 pp), Latvia (+6.1 pp) and the United Kingdom (+4.7 pp).

Compared with 2008-2010, it should be noted that the proportion of innovative enterprises in 2010-2012 has grown in only 5 Member States: in Malta, the United Kingdom, Hungary, Latvia and Bulgaria.

Highest share of product/process innovative enterprises in Germany, of organisation/marketing innovative enterprises in Luxembourg

In 2010-2012, enterprises reporting organisation and/or marketing innovations were slightly dominant (37.1% in the EU, compared with 36.0% of innovative enterprises for products and processes).

For organisation and/or marketing innovations, the highest shares of enterprises that had carried out these activities between 2010 and 2012 were recorded in Luxembourg (53.5%), Ireland (50.8%), Germany (47.6%), Austria (46.1%), Greece (45.4%) and Italy (45.3%).

The highest proportion of product and/or process innovative enterprises in 2010-2012 was registered by far in Germany (55.0% of enterprises), followed by Luxembourg (48.5%), Belgium (46.5%), Sweden (45.2%) Finland (44.6%) and the Netherlands (44.5%).



# Nodar Khaduri:

Minister of Finance of Georgia



“Our agriculture was 20% smaller in 2011 as compared to 2003. Today, we have growth in the field of agriculture.”

Mariam CHACHUA FactCheck

On 7 November 2014 as a guest of the talk show, *Spectre*, Minister of Finance of Georgia, Nodar Khaduri, talked about Georgia's achievements in the field of economy. He also stated that in the previous years the field of agriculture had a trend of decrease and was 20% smaller in 2011 than it was in 2003 whilst after the new government assumed office, Georgian agriculture started to grow due to numerous projects implemented in the field.

According to the data of the National Statistics Office of Georgia, in 2003 the share of agriculture in the overall GDP equalled GEL 1,653 million or 19%. The overall value of agricultural production (2003 prices) amounted to GEL 1,446 million which constituted 10% of the overall GDP. The field of agriculture was

12.5% smaller in 2011 than it was in 2003.

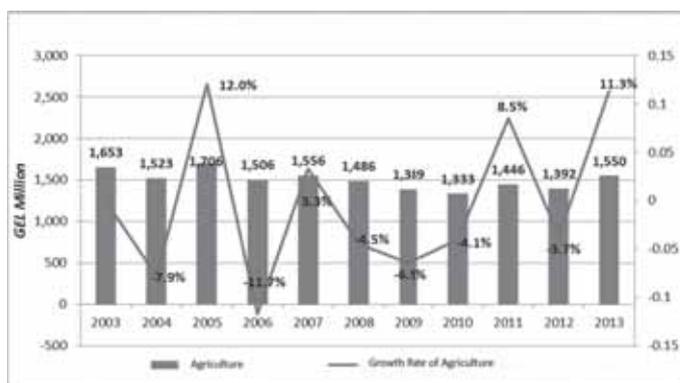
The chart above reflects the dynamics of agricultural production and the overall GDP from 2003 to 2013. As we can see, the development of agriculture was characterised by fluctuations which can be partly explained by the fact that it relies upon environmental and climatic conditions. According to the 2004 State Budget Implementation Report, the decrease in the field of agriculture in 2004 was mainly due to non-favourable climatic conditions. Production increased again in 2005 (mainly due to the increase in the harvest of fruit and citrus) exceeding the levels of 2003. There was a trend of increase in agriculture from 2008 to 2010 which was mainly due to the economic embargo imposed on Georgia by the Russian Federation, the 2008 war between Russia and Georgia and the global economic crisis. Agriculture increased again from 2011 to 2013;

however, it was still smaller as compared to 2003.

The production of agriculture increased by 11.3% in 2013 as compared to 2012. However, it should also be noted that the level of growth in the field of agriculture increased by only 1.2% in the first two quarters of 2014.

Various projects have been launched in the field of agriculture since 2013. The long-term Preferential AgroCredits project was launched in March 2013 which provides farmers with long-term funding. Agro-cards were distributed to farmers as a part of the Spring Work Facilitating project which enabled farmers to acquire all the necessary items for cultivation. The ProduceIn Georgia project has been enacted with the support of the Ministry of Economy and Sustainable Development of Georgia and the Ministry of Agriculture of Georgia and provides agricultural products processing enterprises with low-interest credit.

Chart 1: Agriculture



## CONCLUSION

There was a trend of decrease in the field of agriculture from 2003 to 2013 which was mainly due to non-favourable climatic conditions and external factors. The field of agriculture was 12.5% (and not 20% as stated by the Minister) smaller in 2011 than it was in 2003 whilst the share of agriculture in the overall GDP decreased from 19% to 10%. The field of agriculture grew by 11.3% in 2013. As for 2014, the growth rate in the first two quarters dropped to 1.2%.

Hence, Nodar Khaduri's statement: "Our agriculture was 20% smaller in 2011 as compared to 2003. Today, we have growth in the field of agriculture," is **MOSTLY TRUE**.

!

MOSTLY TRUE

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