

# FactCheck



## Irakli Gharibashvili:

Prime Minister of Georgia



**“Fifty percent of our population lives in poverty.”**

Teona ABSANDZE  
FactCheck

**O**n 7 July 2015, at the closing presentation of the Product of Georgia programme, Irakli Gharibashvili, gave a speech in which he stated: “It is very unfortunate and shameful for us that 50% of our population lives in poverty.”

FactCheck verified the official data on poverty.

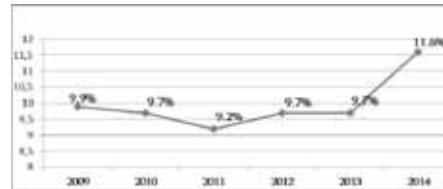
According to the National Statistics Office of Georgia, registered poverty; that is, the share of the population which receives a subsistence allowance, is 11.6% as of 2014. According to the statistical data of 2009–2013, the registered poverty rates were almost the same. This number increased significantly in 2014 (see Graph 1) based upon the preliminary results of the population census. As clarified by the National Statistics Office of Georgia, 2014's poverty rate is calculated according to the preliminary results of the population census of 5 November 2014. According to the results of this census, Georgia's population decreased from 4,372 thousand to 3,730 thousand. Therefore, the ratio of the population receiving a subsistence allowance has increased.

In regard to the relative poverty rate (the share of the population which is below the 60% and 40% marks of median consumption), 21.4% of Georgia's population consumes less than 60% of the

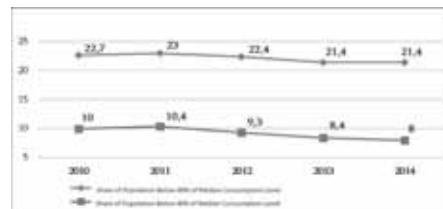
median consumption whilst 8% of the population consumes less than 40% of the median consumption.

The Prime Minister made a sharply different statement in September 2014 at the presentation of the 2014 Georgia National Report on the Millennium Development Goals but this report analyses poverty indicators on the basis of 2006–2012 statistical data. According to 2012 data, the total amount of the population living in poverty is 14.8% whilst the amount of the population living in abject poverty is 3.7%. We can see that in 2006–2012, both absolute and relative poverty were decreased but not halved. Therefore, both statements of the Prime Minister (in 2014 and in 2015) were exaggerated.

Graph 1: Registered Poverty in 2009–2014



Graph 2: Relative Poverty (%) in 2010–2014



## CONCLUSION

ACCORDING TO THE NATIONAL STATISTICS OFFICE OF GEORGIA, REGISTERED POVERTY IN GEORGIA; THAT IS, THE SHARE OF THE POPULATION WHICH RECEIVES A SUBSISTENCE ALLOWANCE, IS 11.6% OF THE TOTAL POPULATION. IN REGARD TO RELATIVE POVERTY RATES, AS OF 2014, 21.4% OF THE POPULATION CONSUMED LESS THAN 60% OF THE MEDIAN CONSUMPTION WHILST 8% OF THE POPULATION CONSUMED LESS THAN 40% OF THE MEDIAN CONSUMPTION.

EVEN THOUGH THE PRIME MINISTER'S STATEMENT IS AN EXAGGERATION AS DEMONSTRATED BY THE OFFICIAL DATA PROVIDED BY THE NATIONAL STATISTICS OFFICE OF GEORGIA, FACTCHECK CONFIRMS THAT POVERTY STILL REMAINS ONE OF THE BIGGEST CHALLENGES FOR THE POPULATION OF GEORGIA. FACTCHECK CONCLUDES THAT THE PRIME MINISTER'S STATEMENT IS HALF TRUE.

HALF TRUE



EUROPEAN  
ENDOWMENT FOR  
DEMOCRACY  
The German Marshall Fund  
of the United States  
STRENGTHENING TRANSATLANTIC COOPERATION



Kingdom of the Netherlands

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## Internet Industry Nets Record Positive Rating

The FINANCIAL — Six in 10 Americans view the Internet industry either very or somewhat positively, which is up from 49% a year ago and easily the highest positive rating that Gallup has recorded in 15 years.

Positive perceptions of the Internet industry rose from an average 46% between 2001 and 2005 to 52% between 2006 and 2014, before reaching today's 60%. Currently, 16% of Americans view the industry negatively — up from an average 22% from 2001 to 2005 — and 22% are neutral toward it.

The latest results are from Gallup's Aug. 5–9 Work and Education poll, in which respondents were asked how they view each of 25 business or industry sectors in the U.S. The Internet now ranks third on the basis of net-positive views, behind the restaurant and computer industries. While Americans rate the computer industry slightly better than the Internet industry, views of the computer industry have been fairly flat in recent years; in fact, the current 69% viewing it posi-

tively is a few points lower than the 73% peak three years ago.

“Internet industry” may mean different things to different people, and Gallup did not define the term in the question, but experts generally define it as companies that provide access to or operate primarily on the Internet. This would include Internet portals and search engines, as well as e-commerce, lifestyle, entertainment and social media sites.

While there is no obvious reason why Americans would have grown more favorable toward the Internet industry in just the past year, Gallup trends indicate that positive perceptions are higher today than the 2006–2014 average among most key demographic groups. It has increased especially among Republicans and independents, while showing little improvement among Democrats.

Longer term, one of the reasons the Internet industry's image has improved since the early 2000s is that older Americans have grown more positive toward

it as they have become more familiar with it. From 2001–2005, 37% of adults aged 55 and older had a positive impression of the Internet industry and 25% a negative impression, with 39% neutral or unsure. Today, 54% view it positively and 20% negatively, with 26% neutral or unsure.

As more Americans have Internet access at home, use smartphones, telecommute and otherwise integrate the Internet in their lives, their perceptions of the industry have improved. The Internet provides services that can enhance people's daily lives, and at least for now, it appears these benefits outweigh any downside Americans may perceive in terms of cost or privacy. One question is whether consumers continue to feel the Internet is on their side, or whether they grow to want more government intervention. However, amid current debate over the merits of various proposed regulations, it is notable that far more Americans have a positive view of the Internet industry than of the federal government, 60% vs. 25%, respectively.

## GEL Devaluation Makes Investing in Education Advisable

Continued from p. 4

those applicants who want to get their Bachelor's, Master's or PhD degrees abroad.

There are various factors due to which applicants choose a university abroad. As Mikeladze, Prime Study, explained, prestige is an important driver of student choice. It is also about location (country, city), and prospects of employment after graduation, which is linked to the location and tuition fee and opportunities of getting a scholarship.

“High level of teaching; programme syllabuses in line with modern market demands; recognized degrees from recognized universities; employment-oriented universities; feeling of independence and acquiring time management skills - are the main factors why Georgians choose an alma mater abroad,” said Kvirkvelia, Universal I.C.

In Kvirkvelia's words, awareness, tuition fee and rate are the main drivers for students when choosing a university.

Universities offering English language programmes are the ones most highly in demand among Georgian students applying to foreign universities. “Traditionally the demand is quite high for U.S. and Western European universities. In particular, Hult Business School, London School of Economics, and King's College. Its high quality of education and big financial benefits are what contribute to the high popularity of Central European University among Georgian applicants. There is a growing demand for IESEG (France), Maastricht School of Management, and WU Executive Academy,” said Mikeladze.

In Mikeladze's words, MBA is the most in-demand academic programme among Georgian students. It is followed by Social Science (Political Science, IR, Public Management). “Recently, we have seen a growing demand for the Agro Business direction,” he added.

The business schools of the French Grandes Ecoles are some of the top most popular universities among the applicants of the agency Universal I.C. for the 2015–2016 academic year. Various fields of business are the most highly demanded studying programmes accordingly.

Not becoming aware of the rules of the admission processes and accurately following them is the main mistake made by Georgian candidates when applying to foreign universities.

“Quite often applicants do not learn the admission rules. They do not pay attention to the admission deadline, do not edit their motivation letter and instead send it in its initial draft. It is important to get accurate information regarding tuition fees and scholarship opportunities.

Applicants quite often diligently prepare for admission processes, pass all the steps, spending lots of time and energy on the process. Then finally, they ‘suddenly find’ that their financial capabilities do not meet the required fee by the university. In such cases the applicant has run out of time to apply to another university which might be more financially suitable for them. When this happens the result is that the student has wasted a year with no results,” said Mikeladze.

As Kvirkvelia, Universal I.C. said, she herself is working on enrolment procedures, and if applicants meet the ad-

mission criteria, they are accepted. However, there is one substantial factor she added - delayed appeal. “Applicants usually start working on that too late. They miss acquiring any relevant language certificate until all the deadlines have passed.”

“One's GPA grade is an important factor for universities. For Master's programmes universities' administrations pay great attention to work experience as well,” Kvirkvelia said.

“Work experience and professional achievements, GPA, the results of required tests (TOEFL, IELTS, GMAT, GRE), public activities (volunteering, leadership, participation in public projects), and proper structuring of motivation - are the top criteria for university administrations when selecting applicants. Recommendation letters are also important, as well as the impression left by a candidate during an interview,” Mikeladze, Prime Study, told The FINANCIAL.

According to yell.ge, the online Georgian business contacts directory, there are 40 centres offering study abroad services. In addition, various scholarships are offered by the Ministry of Science and Education of Georgia, embassies and other international funds. Local universities mostly offer exchange programmes.



# Tourism in EU: Spain, Italy and Austria Lead Winter Destinations

Tourism recorded positive growth rates in terms of nights spent at hotels and guesthouses, in most countries, compared with the same period in 2013-2014.

The FINANCIAL



**C**omparing the monthly figures for the 2014-2015 winter season with the same period of the previous year, 17.2 million more nights (+3.1%) were spent in hotels and similar establishments in the European Union. This positive growth was reflected in the national figures of 21 out of 25 Member States where data is available. The highest increases were observed in Poland (+10.3%) and Denmark (+10.0%), while the highest decline was reported by Luxembourg (-9.2%).

The most popular destinations for tourists travelling outside their own country of residence during the winter season 2014-2015 were Spain, Italy and Austria. The flows to these three countries accounted for half of all nights spent by non-residents in the EU-28.

## NIGHTS SPENT BY RESIDENTS AND NON-RESIDENTS

At EU-28 level the number of nights spent by non-residents in hotels and similar accommodation establishments increased by 3.0% in

the winter season 2014-2015 compared with the same period of the previous year. With the exception of Bulgaria, Estonia, Lithuania, Luxembourg and Finland this increase was reflected in the national figures of all Member States where data is available.

The highest shares of non-residents were recorded in Malta, Cyprus and Luxembourg (93.7%, 90.0% and 89.8% respectively), while they were particularly low in Sweden (21.2%), Germany (23.7%) and Romania (24.1%).

The number of nights spent by residents in hotels and similar accommodation increased by 3.3% at EU-28 level, following the increase of domestic tourism in all Member States except Italy and Luxembourg.

## NET OCCUPANCY RATES OF BED PLACES

Compared with the same period of the previous year, net occupancy rates of bed places in the European Union increased by 1.2 percentage points during the 2014-2015

winter season. These rates ranged from 16.0% in Croatia (January) to 64.5% in Malta (April).

In most of the countries April was the month with the highest occupancy rates of bed places. Malta was the country with the highest net occupancy rate in the peak month (64.5%, April), followed by Austria (61.6%, February) and Spain (54.3% April).

## NET OCCUPANCY RATES OF BEDROOMS

During the winter season 2014-2015 net occupancy rates of bedrooms in hotels and similar accommodation establishments ranged from 18.9% in Croatia (January) to 73.7% in Malta (April).

In most of the countries April was the month with the highest occupancy rates of bedrooms (See Figure 3). Malta was the country with the highest net occupancy rate in the peak month (73.7%, April) followed by the Netherlands (72.3%, April) and Austria (70.5%, February).

# Visa Inc. Survey: Tooth Fairy Fluttering Down To Earth

The FINANCIAL

**A**ccording to Visa's annual Tooth Fairy survey, American children are receiving an average of \$3.19 per lost tooth this year, a decrease of 24 cents from last year. Kids can expect to receive approximately \$64 on the road to adult teeth, down from \$74 only two years ago. 2015 marks the second year in a row that the Tooth Fairy has left less under pillows.

## VISA: TOOTH FAIRY LEAVING \$3.19, DOWN 24 CENTS PER TOOTH FROM 2014

32% of respondents said that a dollar was left by the Tooth Fairy, by far the most

popular amount.

Nearly 20% of respondents reported that the Tooth Fairy left a \$5 bill.

5% of households reported that the Tooth Fairy left \$20 or more under the pillow.

For the second year in a row, fathers reported far more indulgent Tooth Fairy, saying that she left nearly 30% more than moms did: \$3.63 vs. \$2.87.

In the Northeast, 1 in 4 children (25%) got \$5 or more, and around 1 in 13 (8%) were left with \$20 or more, driving the average in the Northeast up to \$3.56. In the Midwest the Fairy left an average of \$3.13. Kids in the West and South received an average of \$3.09 and \$3.07 respectively.

In conjunction with the survey, Visa is released its first Practical Money Skills app for Android, an updated iTunes Store app, and an updated Facebook calculator all to help the Tooth Fairy determine the appropriate amount children should receive for lost teeth. While not an endorsement of how much money the Tooth Fairy should leave children for a lost tooth, the apps and calculator use Visa's 2015 survey data and factor in demographics such as gender, age, home state, family size, marital status, income, and education levels to formulate how much money the Tooth Fairy is leaving in comparable households.

"Visa created the Tooth Fairy apps and calculator so that anyone -- from the first time mother to the father of three -- can get an idea of what the Fairy is leaving under pillows in other households," Sillin said. "It's a fun and helpful glimpse at next door, or thousands of miles away."



According to Kakha Kaladze, the increase in the prices of electricity was mainly due to the depreciation of GEL

Beso NAMCHAVADZE

FactCheck

**O**n 7 July 2015, as an answer to the question of a journalist from Imeti TV, the Minister of Energy of Georgia, Kakha Kaladze, stated that the depreciation of GEL dealt a heavy blow to the energy sector as the share of imported electricity is quite high as well as the electricity generated by the thermal power stations, which are dependent upon the imported natural gas.

GEL depreciated by 29% in the past eight months. The depreciation caused the prices on consumer goods and services to increase. Prices on imported products have gone up especially as the importers by this production in a foreign currency and sell it in GEL in Georgia.

According to the data of 2014, the share of imported electricity in the domestic energy consumption of Georgia was 7.7% whilst this number has reduced to 6% in the first half of 2015. About 19% of the consumed energy is generated by thermal power stations which used imported natural gas for operation.

The table makes clear that the prices on 26% of electricity consumed by Georgia (sum of electricity generated by thermal power plants and imported electricity – about 2,880 million kWh) have gone up. The depreciation of GEL has a direct influence on the prices of imported electricity and the prices of natural gas used by thermal power plants as they are purchased in USD. Apart from the

exchange rate of GEL, the price changes in USD are also important. In this sense, we have a trend of growth on imported electricity.

The average annual exchange rate of GEL depreciated by 32% after 2012. In addition, the price of 1 kWh imported electricity increased by 1.23 cents (23%). In total, the depreciation of GEL and rise in the prices of electricity increased the price of 1 kWh imported electricity by 5.5 tetri (62%).

Change in the costs of the electricity generated by thermal power stations has a bigger influence on the increase of the consumer tariffs than the price of imported electricity. About 19% of used energy comes on thermal power stations. The price of natural gas in USD is fixed; however, due to the depreciation of GEL, the thermal power plants are forced to pay 32% more for one cubic metre as compared to 2012.

The reduction of electricity tariffs was one of the pre-election promises of the Georgian Dream coalition. At the end of 2012, the Georgian National Energy and Water Supply Regulatory Commission and the energy companies were tasked with "finding" the resources to reduce the tariff. Tariffs did indeed reduce in January 2013. The tariff of electricity reduced by 3.54 tetri for those using no more than 300 kWh, whilst for those using more it reduced by 2.7 tetri. Tariff remained the same for the legal entities. The reduction of the tariff happened mainly on the expense of the reduction of profit of the energy companies. On 25 July 2012, in the evening news report of Rustavi 2, the former Chairman of the Georgian National

Energy and Water Supply Regulatory Commission, Guram Chalagashvili, made the following statement about the reduction of electricity tariff at the end of 2012: "as for the agreements with the energy companies which were abolished, hundreds of millions of dollars were to be invested in the sector according to these agreements." As a result, generating electricity became less attractive for the Georgian market which influenced the amount of investments in energy sector. About 45% less Foreign Direct Investments (FDI) were made in the energy sector in Georgia in 2014 as compared to 2012. Investments reduced even further in the first quarter of 2015, amounting to just USD 11 million which is 10.4% less than it was in the same period of 2014 and 63% less than in the first quarter of 2012.

The balance of external trade of electricity worsened in 2014. The worsening was mainly due to the increase in the amount of imported electricity. About 64% more kWh electricity was imported in 2013 as compared to 2012.

The companies which experienced losses due to the reduction of the electricity tariff – EnergoPro and Telasi addressed the Georgian National Energy and Water Supply Regulatory Commission with a request to increase the consumer tariffs. On 23 July 2015, the Commission made a decision to increase the tariffs. As a result, the tariff on 1 kWh electricity increased by 3.35 tetri in the regions; however, EnergoPro was demanding a 4.5 tetri increase. Decision has not yet been made about the address of Telasi.

Cost of Imported Electricity	2011	2012	2013	2014	2015 (6 months)
Cost of Imported Electricity (USD Million)	24.4	32.7	30.3	51.0	22.9
Price kWh (cents)	5.18	5.31	6.26	5.99	6.54
Average Annual Exchange Rate of GEL	1.686	1.651	1.663	1.766	2.177
Price kWh (tetri)	8.73	8.77	10.41	10.57	14.24

## CONCLUSION

THE DEPRECIATION OF GEL HAS A DIRECT INFLUENCE ON THE PRICES OF IMPORTED ELECTRICITY AND THE PRICES OF NATURAL GAS USED BY THERMAL POWER PLANTS, WHICH CONSTITUTE ABOUT 26% OF THE USED ENERGY IN GEORGIA. HENCE, THE GEORGIAN NATIONAL ENERGY AND WATER SUPPLY REGULATORY COMMISSION HAS ALREADY MADE THE DECISION TO INCREASE THE TARIFF OF ELECTRICITY (FROM 1 AUGUST 2015) BY 3.35 TETRI FOR THE USER OF ENERGOPRO. TARIFFS WILL PROBABLY INCREASE FOR THE USER OF TELASI AS WELL.

THE FACT THAT THE DEPRECIATION OF GEL DEALT A HEAVY BLOW TO THE ENERGY SECTOR IS TRUE. HOWEVER, IF WE LOOK AT THE SITUATION FROM 2013, IT BECOMES EVIDENT THAT THE REASONS OF THE DEPRECIATION OF GEL AND THE REDUCTION OF INVESTMENTS IN ENERGY SECTOR WERE THE MISTAKES MADE BY THE GOVERNMENT. HENCE, EXPLAINING THE INCREASE IN THE TARIFFS OF ELECTRICITY WITH THE DEPRECIATION OF GEL ALONE IS HALF TRUE.

HALF TRUE



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