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Are We Ready for New Paternity Leave Policies in Georgia?

By **GIORGI MZHAVANADZE**
ISET

The following blog article was conceived of within the deliberations of a project, together with UNFPA, related to the cost assessment of potential changes to the leave policies of working parents. Admittedly, like the majority of the population, I had no idea that men in

Georgia have the opportunity to take leave intended for childcare. It is a fact that since 2011 the number of fathers who have taken "childcare" leave can be counted on just two hands (including the ISET Alumni, Giorgi Balakhashvili). As a future father this topic proves to be particularly interesting, and in the following sections

Continued on p. 2

Georgia in top 10 asylum seekers in the EU

The FINANCIAL -- In 2018, 580 800 first-time asylum seekers applied for international protection in the Member States of the European Union (EU), down by 11% compared with 2017 (654 600) and less than half of the number recorded in the peak year 2015 when 1 256 600 first-time asylum applicants were registered. The number

of asylum applicants in 2018 is comparable to the level recorded in 2014, before the peaks of 2015 and 2016.

Syrian (80 900 first-time applicants), Afghan (41 000) and Iraqi (39 600) continued to be the main citizenships of people seeking international.

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Nexia TA: Being the best of 120 countries



The FINANCIAL

As the financial services sector continues its rapid growth on the Georgian market, Nexia TA strives to become its brightest representative.

Nexia International has

opened branches in more than 120 countries, which are accumulating annual revenue of USD 4 billion globally. (2018)

Under the leadership of a very charismatic trio: Boris Megrelishvili, Davit Lomidze, and Gela Mghebrishvili, Nexia TA has been operating on the Georgian

market since 2014.

The growth of the Georgian subsidiary has been nothing but spectacular, both from 2016 to 2017, and from 2017 to 2018 the company has shown more 100% growth in revenue.

Continued on p. 5

Vakhtang Butskhrikidze becomes recipient of the magazine FIRST award

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Within the framework of the awards ceremony, her Royal Excellence Princess Anne awarded Vakhtang Butskhrikidze with the award "The FIRST Award for Promoting Responsible Capitalism in Adversity 2019".

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Nano Diesel 2.40
Nano Euro Diesel 2.53
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Prices in GEL

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Efix Euro Regular 2.49
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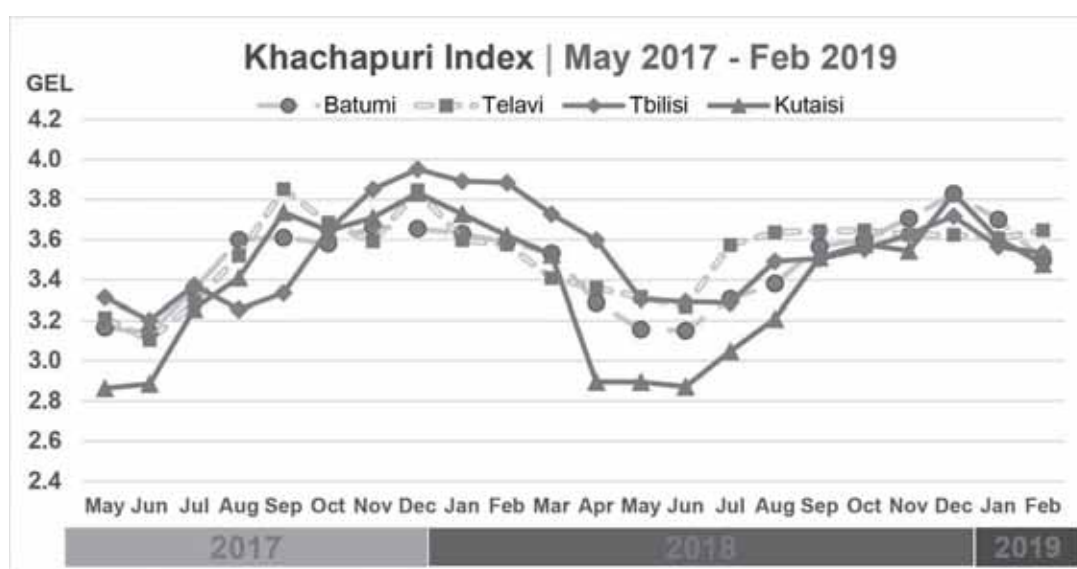
For more: WWW.ISET-PI.GE

FEWER TOURISTS, CHEAPER KHACHAPURI?!

The average cost of cooking one standard Imeretian Khachapuri in the second month of 2019 decreased to 3.54 GEL, 2.2% lower month-on-month (in comparison to the previous month), and 3.5% lower year-on-year (compared to the same month of last year).

The Khachapuri Index is driven primarily by the price of cheese, the main ingredient in khachapuri. In February 2019, the cheese price declined in almost all large Georgian cities, relative to the same month of last year. The highest yearly price decrease (13.5%) of Imeretian cheese was recorded in the capital, Tbilisi. For Khachapuri lovers, Telavi is currently the most expensive city, with Tbilisi taking second place.

On average, the price of cheese stands at 7.85 GEL/kg, which is 3.4% lower than the previous month (January 2019), and 6.4% lower compared to the same month of last year (February 2018). This



decrease is potentially associated with the reduction of trips by international travelers. According

to the Georgian National Tourism Administration, in February 2019, the overall number of tourists in

Georgia decreased by 0.4% and the number of same day trips by 10.7%, compared to the previous year.

THE ISET ECONOMIST

A BLOG ABOUT ECONOMICS AND THE SOUTH CAUCASUS

www.iset-pi.ge/blog

Equal Rights Are Not Just for Women: Are We Ready for New Paternity Leave Policies in Georgia?

By GIORGI MZHAVANADZE
ISET

The following blog article was conceived of within the deliberations of a project, together with UNFPA, related to the cost assessment of potential changes to the leave policies of working parents. Admittedly, like the majority of the population, I had no idea that men in Georgia have the opportunity to take leave intended for childcare. It is a fact that since 2011 the number of fathers who have taken "childcare" leave can be counted on just two hands (including the ISET Alumni, Giorgi Balakhashvili). As a future father this topic proves to be particularly interesting, and in the following sections I will offer a brief overview of the existing regulations behind Georgian leave policies, compare them with European practices, and underline the economic and social implications of paternity leave.

Georgian vs. European Practices



In more developed countries, working parents are potentially eligible for three main types of leave:

Maternity leave – available only

for mothers and taken just before, during and/or immediately after childbirth. This leave is generally considered a health and welfare measure, aimed at protecting the

health of mothers and newborn children.

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financial news

Law Report: Injunctions

It is lawyers' job to help clients achieve their goals. In a litigation, winning the case is important, but what follows is of equal, if not of superior significance. The judgment rendered in client's favor must be enforced, meaning, the respondent shall perform the action order by the court. Judgment-proof respondent is as bad as losing the case. In a world of civil procedure, one of the most important mechanisms that secures enforcement of a court decision is called injunction. In this Law Report we will write about injunctions with the one eye on issues related to injunction and the other eye on suggested practical solutions to them.

Injunctions are primarily designed to enable and ensure future enforcement of court decision – judges grant injunctions in order to avoid impossibility or material complication of judgment enforcement. To get an injunction party, usually the claimant, applies to the court and asks the judge to impose certain restrictions on the respondent, third party or a property, in order to preserve the status quo until the issue is ultimately decided.

It comes as no surprise that with restrictions various problems befall. Part of those problems are caused by improper application of injunctive measures by the courts and the other part is a result of lengthy court proceedings. Companies, as well as individuals face

INJUNCTION IS AN IMPORTANT PART OF A CIVIL PROCESS BECAUSE IT SECURES THE CLAIM AND MAKES JUDGMENT ENFORCEABLE. HOWEVER, INCONSISTENT PRACTICE AND LENGTHY LITIGATION TURNS THIS PROCEDURAL TOOL INTO A WEAPON AGAINST RESPONDENTS, CAUSING TREMENDOUS FINANCIAL AND OTHER PROBLEMS TO THE COMPANIES AND PRIVATE INDIVIDUALS.

severe financial difficulties and sometimes even go bankrupt as a result of injunctions imposed upon them. Courts usually put an injunction on immovable property (land plot, flat, house), restricting their alienation, use as a collateral and sometimes even renting out. Also, courts freeze the bank accounts. In practice, it often happens that the injunction is issued against property that values disproportionately higher than the claim itself. This puts an unreasonable and undue restrictions on respondent's property rights. Respondents with their assets frozen are no longer able to sell the property or pledge it for a credit. In a construction/real estate development related disputes for example, sometimes the courts puts an injunction on a flat or a commercial premise, rendering it impossible to register the whole floor in a Public Registry. Unfortunately, courts are also reluctant

to make exceptions from the over-arching, general type injunctions.

More difficult are the cases where the courts freeze respondent's bank account. Such an injunction makes it impossible for the respondent to dispose the funds deposited on the bank account, pay salaries and finance day-to-day business transactions. Given the average trajectory of dispute longevity, this may last for months, even years. Courts have been mindful of this damaging practice and in recent times freezing the bank accounts are used in only rare occasions.

Parties encounter problems in other specific instances as well. In one case for example, Tbilisi City Court used an injunction against the company and a commercial bank restricting encashment of bank guarantee. Injunction took

effect a month before the term of the guarantee was due to expire. Not only was this materially wrong, but also constituted a serious misuse of judge's discretion.

Just recently partners of the company filed a lawsuit against director requesting certain company-related documents which the director refused to supply. The partners also asked the court to apply the injunction and prohibit the director from destroying the requested documents. Civil Procedure Code explicitly states that one of the injunctive measures can be restricting the respondent or any third person to perform certain acts. Court's refusal to use the injunction may incentivize the director to destroy the evidence against him.

In other cases judges refuse to freeze the company's and/or individual's bank accounts even though the claimant makes sufficient showing of actual fraud or misrepresentation. Refusal to freeze the account enables the respondent to siphon the funds and make it impossible to enforce the decision.

Respondents have number of tools to counter injunctions. First of all, if the injunction is placed on an immovable property with the market value significantly higher than the claim, a respondent is entitled to make an offer of alternative property in lieu of frozen asset. The court will make a substitute as long as the proposed property is of a market value reasonably close to

the claim. But sometimes the respondent does not have an alternative property. In this case Civil Procedure Code contains special provisions for a counter-guarantee. Counter-guarantee is a mechanism that allows the claimant to request the other party to deposit certain amount as a guarantee for losses potentially caused by injunction. This mechanism is especially difficult in a property related cases where the calculation of damages might not be easy to make. Additionally, if the claim is not successful the Civil Procedure Code allows the respondent to claim damages sustained as a result of injunction. However, the clause is rarely used in practice.

Injunction is an important part of a civil process because it secures the claim and makes judgment enforceable. However, inconsistent practice and lengthy litigation turns this procedural tool into a weapon against respondents, causing tremendous financial and other problems to the companies and private individuals. It has long been recognized that the provisions of injunction must be amended and modernized. Unfortunately, so far the legislator failed to act.

BLC
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DAVIT TABATADZE



GOCHA OKRESHIDZE

Vakhtang Butskhrikidze becomes recipient of the magazine FIRST award



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Within the framework of the awards ceremony, her Royal Excellence Princess Anne awarded Vakhtang Butskhrikidze with the award "The FIRST Award for Promoting Responsible Capitalism in Adversity 2019". Vakhtang Butskhrikidze was presented the award by Suma Chakbarti, the President of EBRD.

The awards ceremony, which was held at Lancaster Palace on 7 March, was attended by representatives of the London Diplomatic Corps, business and government circles, including Tamar Beruchashvili, Plenipotentiary Ambassador of Georgia to Great Britain, as well as staff of the London TBC Bank offices.

"Over the course of 27 years we have succeeded despite financial crisis, civil war and armed conflicts. Today, our brand is a marker of pride for Georgia, is the most active in CSR, and is recognized as the best supporter of business. We have achieved all of this because we have done business as a true citizen of our country."

"We have developed special programmes for business support, with a special emphasis on SMEs. Within the framework of this platform we provide not only financial support but also invest in them to develop and grow, with different



programmes, whether it be trainings, lectures, Business Reward, or meetings."

"Our main goal is to simplify the lives of people by creating digital ecosystems."

"After coming so far in Georgia, we decided to expand to other countries too. TBC aims to increase its customer base by up to 10 million, which means a 5 time increase of the current number."

"This award does not just belong to me, it belongs to the 7 000 employees of TBC who bring our culture and philosophy to our customers. I am very grateful that such people stand beside me," Vakhtang Butskhrikidze said in his acceptance speech.

About FIRST

From the year 2000, the organization FIRST has been awarding on an annual basis the private business leaders of various countries for their

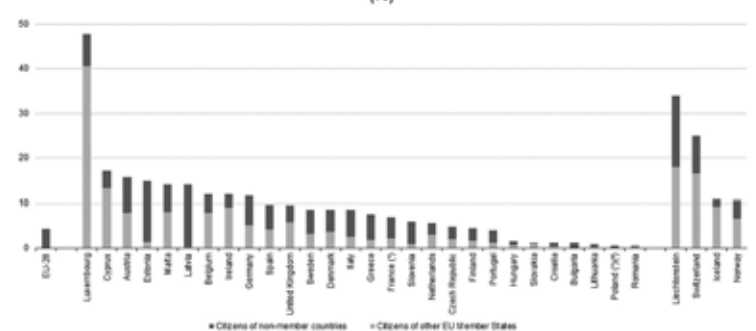
successful entrepreneurial activity and social responsibility.

At various times, winners of FIRST's prestigious prizes have included: Güller Sabanchi, Chairman of Sabanci Group; Howard Schulz, Founder of Starbucks; Paul Polmann, General Director of Unilever; Alan Wood, CEO of Siemens; John Brown, CEO of British Petroleum.

The multidisciplinary organization FIRST was founded in 1984. It aims to strengthen strategic dialogue between industries, the financial sector and government. FIRST regularly organizes a number of international conferences and high-level meetings attended by government officials and the executives of corporations. Experts of the organization are working in 60 countries, across three continents. In the years 2010 and 2013, the magazine FIRST became the first recipient of the "The Queen's Award for Enterprise".

Non-EU citizens: 4.4 % of the EU population in 2018

Share of non-nationals in the resident population, 1 January 2018 (%)



The FINANCIAL – The number of people residing in European Union (EU) Member States with citizenship of a non-member country on 1 January 2018 was 22.3 million, representing 4.4 % of the EU population. In addition, there were 17.6 million people living in one of the EU Member States on 1 January 2018 with the citizenship of another EU Member State. In most EU Member States, the majority of non-nationals were citizens of non-EU countries.

In relative terms, the EU Member State with the highest share of non-nationals was Luxembourg, as non-nationals

accounted for 48 % of its total population. A high proportion of foreign citizens (10 % or more of the resident population) was also observed in Cyprus, Austria, Estonia, Malta, Latvia, Belgium, Ireland and Germany. In contrast, non-nationals represented less than 1 % of the population in Poland, Romania and Lithuania.

For more statistics on the number of national and non-national citizens in the population, acquisition of citizenship and international migration flows, take a look at the Statistics Explained article on migration and migrant population statistics.

Nexia TA: Being the best of 120 countries

By GELA MEGENEISHVILI
The FINANCIAL

As the financial services sector continues its rapid growth on the Georgian market, Nexia TA strives to become its brightest representative.

Nexia International has opened branches in more than 120 countries, which are accumulating annual revenue of USD 4 billion globally. (2018)

Under the leadership of a very charismatic trio: Boris Megrelishvili, Davit Lomidze, and Gela Mghebrishvili, Nexia TA has been operating on the Georgian market since 2014.

The growth of the Georgian subsidiary has been nothing but spectacular, both from 2016 to 2017, and from 2017 to 2018 the company has shown more 100% growth in revenue.

With such incredible growth, Nexia TA earned its rightful position expectation of 6th place on the Georgian market. To achieve such results in less than a 5-year period is nothing short of amazing.

The figures have not gone unnoticed however, earning its Georgian representatives the rightful name of the best Nexia subsidiary globally! (Nexia has branches in more than 120 countries).

None other than Kevin Arnolds, the Chief Executive of Nexia International, stated himself: "The award was given to the team, whose contributions to the development of Nexia International were unrivalled."

"Fully meeting the numerous criterion for winning is not the only feat of our team's that we are proud of," stated Gela Mghebrishvili, a leading partner of Nexia TA. "Being the best of 120 countries puts Georgia on the map, numerous investors have come to us, eager to learn more about Georgia; we were bombarded with questions relating to the different entrepreneurial sectors in our country and many of these investors were keen on doing business in the nearest future."

The team takes huge pride in introducing their home country to the entire world. "We really believe that foreign investments will hugely boost our economy. The fact that Nexia TA plays a role in such a great deed is a motivational boost to continue our activities," added Boris Megrelishvili.

And the motivational boost seems to have had a very positive effect.

Winning apparently became addictive to Nexia TA, as the Georgians went on to completely shock the world with their next award - IAB's Accounting Capacity Building Champion.

International Accounting Bulletin (IAB), the number one accounting magazine, certainly has tough criteria when it comes to picking winners.

"No Georgian auditory representative company had ever been nominated, let alone been given an IAB award, which makes Nexia TA's achievement that much more impressive," Nexia TA representatives told The FINANCIAL.

"We were confident that we had



GELA MGHEBRISHVILI, Managing Partner



DAVID LOMIDZE, Managing Partner



BORIS MEGRELISHVILI, Managing Partner



done outstanding work, however nobody can remain 100% sure while facing such fierce competition. I cannot fully describe the range of emotions that grabbed us when our team was announced the winner," stated Davit Lomidze, a leading partner of Nexia TA.

As the holders of two prestigious nomination awards, Nexia TA is keeping up the work necessary to become the best company on the Georgian market.

"We have managed to become the 6th ranked company on the local market in just 5 years, three years from now we plan to be in the top 5," Davit Lomidze told The FINANCIAL.

Currently the services of Nexia TA consist of: Assurance services, Tax services - including Transfer prices; Accounting services; Consulting services; Legal services and software.

"We are not just an auditory company; we offer varied services at the highest quality. In fact, we are so confident of our expertise, that we guarantee our partners

that their management team will only have to face representatives from any controlling institutions twice - once while greeting them and then while saying goodbye - as we will take care of the rest," Gela Mghebrishvili proudly told The FINANCIAL.

The confidence and expertise that the company carries is definitely worthy of praise.

However, there is one less publicized service that probably deserves the most appreciation. From the beginning of 2019, Nexia TA offers a free service for those companies and citizens who have had taxes imposed on them unfairly, and lack the expertise or human resources to appeal this in court.

For the price of just GEL 1, the team of experts will take care of your taxation problems.

"People come to us in confusion asking if we really do offer such a service for the cost of just GEL 1, and we don't blame them. Sometimes it really does sound too good to be true, especially in an industry where it seems as if every action is

made solely to make a profit. We believe that breaking that stereotype is crucial. CSR (Corporate Social Responsibility) is very important and an exemplary company should be a beneficial part of society. We are just trying to do that," stated Boris Megrelishvili.

Currently, thanks to this service many individuals and companies have managed to avoid the unfair payment of huge sums of money. What's even more impressive about Nexia TA is that they have never lost a lawsuit, maintaining a 100% winning rate, which again highlights the expertise of the staff.

The company counts 150 full-time employees, and its recruitment criteria are very progressive.

Qualifications and degrees from financial schools are of course respected within the company, however a desire for personal development and critical thinking are the traits that a perfect Nexia TA employee must possess.

"Sometimes there are cases where we meet a young, very talented person, who doesn't have a

very high GPA. However, if we see determination, passion, and simply the high practical value that the person brings to the table, we will surely hire them," stated Gela Mghebrishvili.

With quality of personnel being given huge attention, Nexia TA established the company's own training academy, where the most qualified will give lectures for absolutely no price.

"Georgian universities send us very enthusiastic youngsters, who have the ability of critical thinking and all the necessary qualities to have a bright career; however they lack experience and deep understanding of the business sectors which we compete in. At Nexia TA Academy, we make sure that these talented people will get the traits they lack to become very productive employees."

Nexia TA as a team has every necessary trait to dominate the market. The company holds a very optimistic view of the future, and they believe that their best is yet to come.

financial news

Jesper Black, the Six Millionth Tourist of Georgia, is leaving the country

The FINANCIAL

After being welcomed by the Former Prime Minister Giorgi Kvirikashvili to dinner, the video of his arrival was watched over 7.5 million times in 3 different languages on Facebook, doing a great service to the promotion of Georgia's tourism worldwide.

Jesper quickly became a celebrity in Georgia, and moved from his home in Barcelona to Tbilisi to become a participant of the 7th season of Dancing with the Stars, where he was partnered with Verka Jajnidze. The dancing was not a great success though, and Jesper and Verka were eliminated in the 4th round, leaving the show in favour of Aleksandra Paichadze and her partner.

After the show, Jesper loved Georgia so much that he decided to stay and live in Tbilisi to make it his home, and started working for the First Channel as a director and scriptwriter for Eurovision Junior, under the supervision of Sergi Gvarjaladze.

During his two years in Georgia, Jesper displayed his love for the country very often, travelling to all of the different regions and making beautiful videos and publishing them both on Facebook and YouTube, where they became very popular.

He writes: "For the last two years, you have been my warm, beautiful, welcoming home. It has been very strange at times. It has been very great at times. Now though, it is time to leave and say goodbye to Georgia, with all of these great memories, adventures, and experiences in my pocket, and move on to the next adventure. Didi Madloba, Sakartvelo. Miyvarxar."

After his announcement, Jesper also stated that he is making a documentary about what it is like to become famous, and that he is looking for funding for this on a fundraising website Indiegogo. Details can be found below.

Q. Why have you decided to leave the country?

A. I have had a very great but strange



journey here in Georgia. I came in April 2017 to participate in Dancing with the Stars, and was planning to move back to Barcelona after that finished, but loved Georgia so much that I decided to stay. In my 2 years here I have travelled all over the country and have experienced so many great things, people have been very kind and welcoming. I do feel though that it is time for the next adventure, and I am looking forward to everything on the road ahead.

Q. What did you like most during your stay in Georgia?

A. The freedom and adventure. The sense of freedom and adventure that this country offers is unparalleled to anything and any place I have ever lived. To get out of Tbilisi and drive a couple of hours into the complete wilderness, the beautiful nature and the great food is truly a wonderful thing. I grew up in The Netherlands, a very densely populated country with no mountains, so to be here and be able to basically do whatever you want is something that I have really cherished over the past two years.

That and the wine...

Q. What are the most negative things you have encountered in Georgia?

A. The traffic, and the way people drive. It's a funny thing, Georgians all over the world are known for their warmth and hospitality, but somehow manage to forget all about that the moment they step into their car. People drive very dangerously, I have seen so many accidents that wouldn't have happened had people driven more slowly or considerately. Just today I have friends telling me that their friend just died in an accident, and this happens so often. It is not necessary, and it needs to stop. Georgia has to somehow regulate and enforce more firm driving regulations in order to stop people dying.

Q. What is your suggestion for the travel industry?

A. Smile. Service is king everywhere you go. Many restaurants here in Georgia have no idea what (good) service is. A smile on the face of the waiter makes all the difference. Customers leave happy and most likely leave a tip as well.

Everyone wins.

Q. What would your suggestion be for the local authorities?

A. If I could say one thing to Kakha Kaladze, it would be this: Please fix the traffic problem, Kakha. It's time... Tbilisi has both a traffic and a parking problem: there are too many cars on the roads, too little parking places, too little enforcement of the rules, and too many people not caring about it. As a result, people park their cars on the pavements, on the road, and wherever they can, blocking traffic even further. The already heavily polluted city air of Tbilisi gets dirtier and dirtier every day, and in the long run the people are going to pay the price with their health for breathing in exhaust fumes everyday. It is not a good legacy to have as a mayor. It needs to be fixed.

Q. Do you have dual citizenship? (Georgian?)

A. I do not.

Q. What is your real name and surname? Jesper Zwart?

A. Jesper Zwart is my Dutch name,

Zwart means black in Dutch. Seeing how many people already have so much trouble with my first name (it's Jesper, not Jasper), I've taken Black as my stage name.

So right now, I have about two weeks left in Georgia and I am using this to work on a documentary about fame. Some people chase it and would love to be in the spotlight. Other people don't care and would rather stay anonymous. Me, I happened to get famous by accident, and it made me pose the question what fame really means. What is the value of it, what are the things that are truly important, is fame something we should be chasing as a society? Part of the film will be recorded here, in Georgia, and part of it will be recorded in The Netherlands.

One last thing: although I am looking forward to moving back home to my family and my friends in The Netherlands, I am extremely grateful for what Georgia has done for me. I have my family here, and Georgia will always be in my heart. Also... I will be back!

Christchurch Attacks: Why Are The Names Of A Georgian King And A Ukrainian Extremist Written On The Guns?

Mike ECKEL
RFE/RL

Investigators piecing together the motivations of the suspected gunman behind New Zealand's worst terrorist attack are poring over the 87-page hate-filled manifesto he published, and the memes, cultural references in his online rantings, and musical allusions contained in the video he took of the deadly incident.

Then there is the multilingual lettering scrawled on his guns, with references to various figures from history, past and more recent: Serbian, Italian, Hungarian, Ukrainian. And then there's the Georgian king and Georgian consort from the 12th century.

In all, 49, people were killed and more than 20 wounded in the March 15 attack on two mosques in the New Zealand city of Christchurch. An Australian man who claimed responsibility for the shootings said in a manifesto that he came to New Zealand only to plan and prepare for the attack.

For Georgians, the references are perplexing and worrying.

A spokesman for the country's State Security Service told the Georgian news agency Agenda.ge that the service was cooperating with partners regarding the weapons seized



from the gunman.

What appears to link the names together, Georgian or otherwise, is the figures were all participants in major battles or military conflicts with Islamic armies from history: variously called Ottoman, Persian, Seljuk, or Turkish, depending on the era and the author.

David The Builder

One of the two Georgian names is a king known to nearly all Georgian schoolchildren: David IV, or David the Builder. Formally known as Davit Aghmashenebeli in Georgian, he

was ruler of the Christian kingdom in the 12th century when it was attacked by the armies of the Seljuk Empire, an empire of various Muslim communities that, at its height, stretched from the Aegean Sea to what is today northern Afghanistan.

At the Battle of Didgori, the Georgian army defeated much large

er Seljuk forces in 1121, and led the way for Georgia to expand its own kingdom between the Caspian and Black seas. The victory is called "miraculous" in Georgian, and its literature and culture is littered with references to the event.

The second name was David Soslan, who was a military leader and husband of the Georgian queen at the time, Tamar. He played a key role in leading Georgian forces in battles several decades later, against Islamic forces at Shamkor -- in what is today's Azerbaijan -- and Basian- in what is today's Turkey.

David Soslan is not nearly so well known in Georgian culture, possibly because he wasn't considered as royal as his wife, but also because, according to some sources, he was ethnically Ossetian, another ethnic group living in close proximity to Georgia and Russia.

How the two Georgian leaders became associated with the white nationalism of the New Zealand gunman wasn't immediately clear.

However, in his online manifesto and other writings, the gunman, who identified himself as an Australian called Brenton Tarrant, expresses extreme hatred for Muslims.

Continued on p. 15



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financial news

Georgia in top 10 asylum seekers in the EU

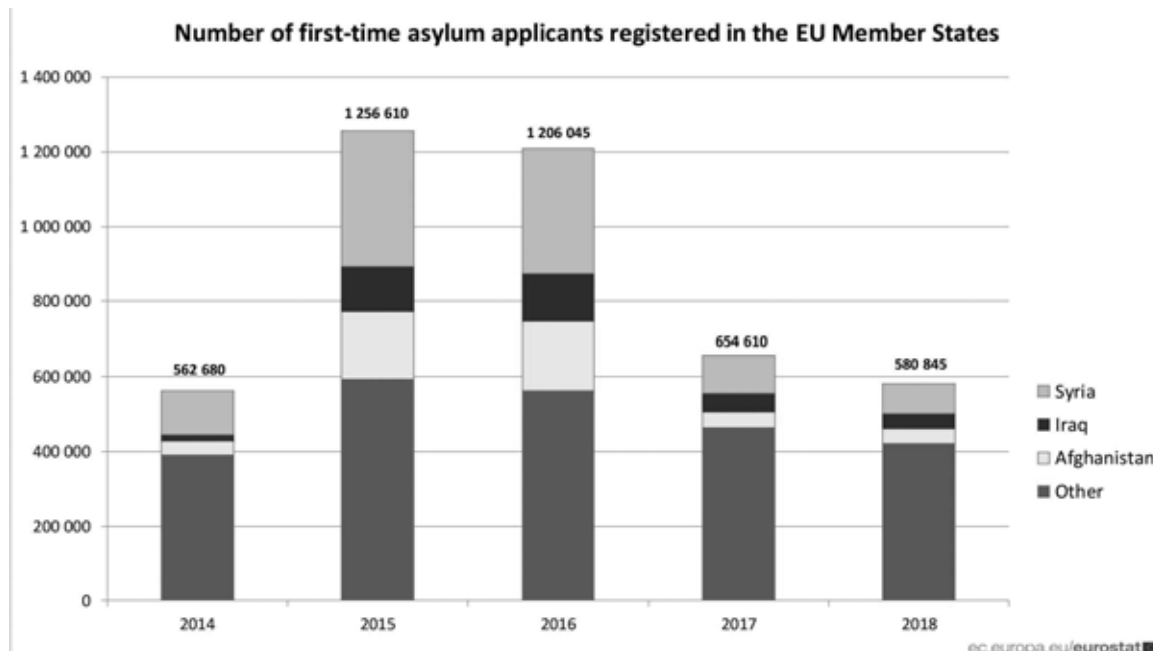
Syrians, Afghans and Iraqis continued to be the top citizenships

The FINANCIAL -- In 2018, 580 800 first-time asylum seekers applied for international protection in the Member States of the European Union (EU), down by 11% compared with 2017 (654 600) and less than half of the number recorded in the peak year 2015 when 1 256 600 first-time asylum applicants were registered. The number of asylum applicants in 2018 is comparable to the level recorded in 2014, before the peaks of 2015 and 2016.

Syrian (80 900 first-time applicants), Afghan (41 000) and Iraqi (39 600) continued to be the main citizenships of people seeking international protection in the EU Member States in 2018, together accounting for almost 30% of all first-time applicants.

Almost 3 in 10 applied for asylum in Germany

With 161 900 first-time applicants registered in 2018, Germany accounted for 28% of all first-time applicants in the EU Member States. It was followed by France (110 500, or 19%), Greece (65 000, or 11%), Spain (52 700, or 9%), Italy (49 200, or 8%) and the United Kingdom (37 300, or 6%). Among Member States with more



than 5 000 first-time asylum seekers in 2018, the number of first time applicants, rose most compared with the previous year in Cyprus (+70%, or 3 100 more first-time asylum seekers in 2018 than in 2017) and Spain (+60%, or 19 700 more), ahead of Belgium (+29%, or 4 100 more), the Netherlands (+27%, or 4 400 more), France (+20%, or 18 500 more) and Greece (+14%, or 8 000 more). In contrast, the largest relative decreases were recorded in Italy (-61%, or 77 400 fewer), Austria (-49%, or 11 100 fewer), Sweden (-19%, or 4 100 fewer) and Germany (-18%, or 36 400 fewer).

Syrian, Afghan and Iraqi – main citizenships of asylum seekers

Syrian (14% of the total number of first-time applicants) was the main citizenship of asylum seekers in the EU Member States in 2018, a position it has held each year since 2013. Of the 80 900 Syrians who applied for asylum for the first-time in the EU in 2018, more than half were registered in Germany (44 200, or 55%). Syrian was the main citizenship of asylum seekers in eight EU Member States.

With 41 000 first-time applicants (or 7% of the EU total) in 2018, Afghan was the second main citizenship of asylum seekers in the EU Member States. Almost 29% of Afghans applied in Greece (11 800). Afghan was the main citizenship of asylum seekers in five EU Member States.

Iraqi (7% of the total number of first-time applicants) was the third main citizenship of asylum seekers in the EU Member States in 2018. Of the 39 600

Iraqis seeking asylum protection for the first-time in the EU in 2018, more than 41% applied in Germany (16 300). Iraqi was the main citizenship of asylum seekers in two EU Member States.

Highest number of first-time applicants relative to the population in Cyprus, lowest in Slovakia

The highest number of registered first-time applicants in 2018 relative to the population of each Member State was recorded in Cyprus (8 805 first-time applicants per million population), ahead of Greece (6 051), Malta (4 276) and Luxembourg (3 694). In contrast, the lowest numbers were recorded in Slovakia (28 applicants per million population), Poland (63), Hungary (65), Estonia (68) and Latvia (91). In 2018, in the EU as a whole, there were 1 133 first-time asylum applicants per million population.

Less than 900 000 asylum applications pending at the end of 2018

Pending applications for international protection are applications that have been made at any time and are still under consideration by the national authorities at the end of the reference period. In other words, they refer to the “stock” of applications for which decisions are still pending. This statistic is intended to measure the workload of the national authorities.

At the end of 2018, 878 600 applications for international protection in the EU Member States were still under consideration by the national authorities (excluding Finland, as data not available). At the end of 2017, this figure was slightly higher (927 000). Germany had the largest share of applications pending in the EU at the end of 2018 (384 800, or 44% of the EU total), ahead of Italy (103 000, or 12%), Spain (78 700, or 9%) and Greece (76 300, or 9%).

IFC, Georgian Stock Exchange, and UN Women “Ring the Bell” for Gender Equality in Tbilisi

The FINANCIAL --Accelerating the pace of reforms to ensure gender equality could yield enormous benefits, with the potential to increase global gross domestic product (GDP) by \$12 trillion in the next six years, according to a McKinsey Global Institute report. With gender equality, Georgia could experience economic gains equivalent to around 11 percent of GDP, according to the World Bank.

IFC, a member of the World Bank

Group, the Georgian Stock Exchange and UN Women hosted a “Ring the Bell for Gender Equality” event in Tbilisi—an initiative linked with International Women’s Day that promotes increased women’s participation in the global economy to catalyze sustainable and inclusive private sector growth.

Despite Georgia’s significant strides in creating an enabling environment for gender equality, these measures have not translated into

overall progress in international rankings. In the World Economic Forum Global Gender Gap Report 2018, Georgia ranked 85 among 149 countries for parity in economic participation and opportunity.

“At the nexus of company and investor interaction, a stock exchange is uniquely positioned to influence capital markets to progress in closing the gender gap. We are committed to continuing our work to achieve tangible results in this

direction,” George Paresishvili, CEO, Georgian Stock Exchange, said.

“Economically, women in Georgia are not yet on an equal footing with men,” said Tamar Sabedashvili, Deputy Country Representative for UN Women. “To achieve gender equality, we need to see not only government action but strong private sector involvement. It’s encouraging to see more and more companies taking steps to help empower women in the workplace.”

“Increasing the participation of women as entrepreneurs, employees and business leaders is not only a moral imperative but a smart business strategy,” said Jan van Bilsen, IFC Regional Manager for the South Caucasus. “Research has highlighted that correcting gender imbalances could lead to important economic gains. Today’s event in Tbilisi is a clear sign of our joint commitment to help breach the gender gap and push for change.”

Georgia in NATO Secretary General’s Annual Report

NATO Secretary General Jens Stoltenberg released on March 14 his Annual Report for 2018, which outlines the Alliance’s responses to security challenges and the Secretary General’s vision for reforms.

The report includes a section on Georgia, which refers to the country “as a critical partner for the Alliance,” civil Georgia reported.

“Georgia aspires to NATO membership, and Allies have consistently reaffirmed their commitment to Georgia’s eventual membership. Georgia is also a significant contributor to NATO’s operations and missions,” it says.

The report also touches upon the Substantial NATO-Georgia Package (SNGP), saying the cooperation

mechanism is designed to strengthen Georgia’s defense capacities and help it “prepare for eventual NATO membership.”

According to the report, six of the 15 SNGP initiatives “are on track to achieve all of their objectives in 2019.”

“Georgia has made significant progress on aviation and air defence, in developing transparent acquisition legislation, in improving its cyber defence and logistics capabilities, and in bolstering the strategic communications capacity of the Ministry of Defence,” reads the report.

Other initiatives, such as the Joint Training and Evaluation Centre and the Defence Institution Building School, “are already offering numer-

ous training events to military and civil students,” according to the document.

The report also says in 2018, NATO Allies expressed their readiness to enhance their support to Georgia, including in the areas of counter-mobility, training and exercises, and secure communications.

Jens Stoltenberg referred to Georgia at a press conference following the launch of his Annual Report.

Responding to the question of Imedi TV, SG Stoltenberg said Georgia is a “highly valued partner,” and that NATO welcomes the reforms implemented for modernizing the country’s security and defense institutions, as well as its support of NATO’s Resolute Support Mission in Afghanistan.

Tajikistan, Georgia agree to open direct flights

The FINANCIAL -- The aviation authorities of Tajikistan and Georgia reached an agreement on the establishment of direct flights between the cities of the two countries, according to Azernews. Designated companies have the right to fly to any point of Georgia and Tajikistan.

Regular flights in Georgia were carried out by 58 airlines in 2018, which is 9.4 percent more compared to 2017. In general, the airports of Georgia served more than 5 million passengers in 2018, which is 23.6 percent more than in 2017.

To this day, more than 500 aviation specialists are working at Tajik Air. Most of the pilots, navigators and flight engineers of the company are highly qualified and have extensive experience in flying in the most difficult mountain conditions of the Pamir Mountains.

The company carries out regular flights to five cities of Russia (Moscow, St. Petersburg, Yekaterinburg, Surgut, Novosibirsk), as well as to Kyrgyzstan (Bishkek), Kazakhstan (Almaty), Iran (Tehran), India (Delhi), China (Urumqi). On local airlines, regular flights are operated to Khujand and Khorog.

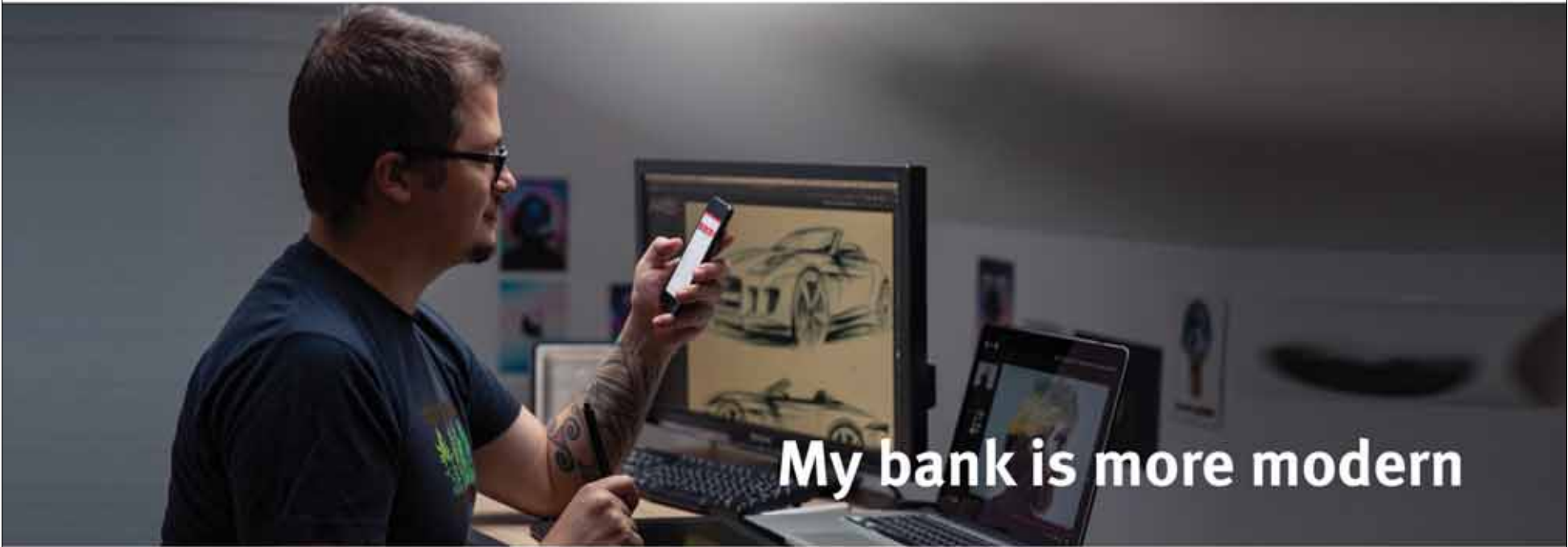
In the near future, the airline intends to open flights Dushanbe-Beijing-Dushanbe, Kurgan-Tyube - Ekaterinburg, Kurgan-Tyube - Novosibirsk, Kurgan-Tyube - Kazan.

Diplomatic relations between Tajikistan and Georgia were established on August 4, 1994.

The main areas of cooperation between the two countries are agricultural and mining industries, tourism development, education and pharmaceuticals.

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RESUME:

In order to analyse the trend of changes in administrative expenses over time, it is appropriate to use relative figures vis-à-vis the gross domestic product or budget assignments instead of using nominal figures. A comparison of the nominal figures for expenses in a seven-year period is incorrect because, on the one hand, the nominal figures for budget revenues and expenditures increase in this period and, on the other hand, the inflation factor is not excluded. Therefore, Giorgi Volski's approach when he speaks about relative figures is correct whilst Nika Melia's comparison of nominal figures is incorrect.

The consolidated budget's administrative expenses to GDP ratio has decreased in 2019 as compared to 2012. In particular, the administrative expenses to GDP ratio dropped from 9.6% to 7.4% whilst the administrative expenses to current expenditures ratio dropped from 38.5% to 32.7%. In addition, the share of funds allocated for labour remuneration decreased both in the consolidated budget and in the state budget in the same period. In regard to the salaries of the ministers specifically, the average monthly salary for ministers in 2011-2012 was GEL 7,080 which has decreased since 2014 with a minister's salary currently at GEL 6,250. In 2012, the number of employees working in state budget spending institutions was 103,000 whilst this number was 113,600 in 2018. In accordance with the 2019 state budget, the number of these aforementioned employees is 112,100. Therefore, the number of people employed in the

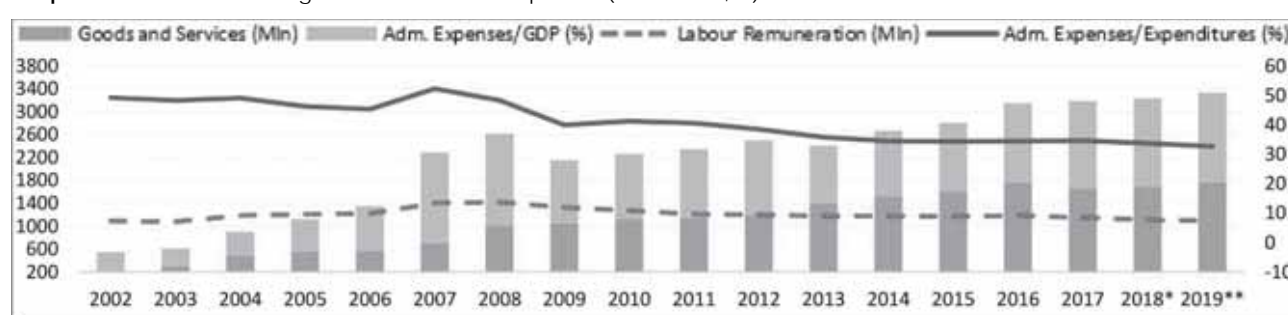
public sector has increased as compared to 2012.

ANALYSIS

During a TV debate on air on Rustavi 2, MPs Giorgi Volski and Nika Melia discussed administrative expenses. As stated by Mr Volski: "The salaries of the ministers have significantly decreased as compared to 2012. The total administrative expenses to GDP ratio has decreased." In response to the aforementioned statement, United National Movement parliamentary faction member, Nika Melia, stated: "Administrative expenses have increased by GEL 685 million since your coming to power. The number of employees under the previous government was 101,000 whilst in 2018 it is 116,000." Given the figure of 116,000 in Mr Melia's statement, this refers to the number of employees working in state budget spending institutions.

In order to analyse the trend of changes in administrative expenses over the years, it is appropriate to compare relative figures instead of analysing nominal indicators. The reason for this is that the nominal figures of the state budget amount increase over the years and, therefore, the nominal figures for administrative expenses increase as well. The second reason behind the growth in administrative expenses is inflation. In particular, given the annual increase in the level of prices, less money was needed to purchase the same amount of goods and services in 2012 as compared to the present day. The labour remuneration of public servants cannot be kept unchanged and together with changes in macroeconomic parameters, a salary increase is an objective necessity and this is something which also increases the nominal volume

Graph 1: Consolidated Budget's Administrative Expenses (GEL Million, %)



Source: Ministry of Finance of Georgia

of administrative expenses.

The consolidated budget includes the consolidated figures of the state budget as well as the budgets of autonomous republics and self-governing bodies. The administrative expenses of the consolidated budget are the expenses for labour remuneration and purchasing goods and services. In the 2019 consolidated budget, the planned amount of administrative expenses is GEL 3,334 million (of this amount, labour remuneration is GEL 1,762 million and the purchase of goods and services is GEL 1,572 million) which constitutes 7.4% of the estimated GDP and 32.7% of the budget's current expenditures in the same year. The nominal amount of administrative expenses in 2012 was GEL 2,500.3 million which was 9.6% of the GDP and 38.5% of current expenditures. Therefore, the administrative expenses to consolidated budget ratio decreased in the period of 2012-2019. In particular, the administrative expenses to GDP ratio decreased by 2.2 percentage points and the administrative expenses to current expenditures ratio dropped by 5.8 percentage points, including a 0.7 of a percentage point decrease in the labour remuneration to GDP ratio and a 1.5 percentage point decrease in the goods and services to GDP ratio.

STATEMENT:

GIORGI VOLSKI: "The ministers' salaries have decreased significantly as compared to 2012. The total administrative expenses to GDP ratio has decreased."

VS

NIKA MELIA: "Administrative expenses have increased by GEL 685 million since your coming to power. The amount of employees was 101,000 and in 2018 it is 116,000."

VERDICT:

FACTCHECK CONCLUDES THAT GIORGI VOLSKI'S STATEMENT IS TRUE WHILST NIKA MELIA'S STATEMENT IS MOSTLY FALSE.

GALT & TAGGART Successfully releases two-years long obligations, worth 15 million GEL

By GELA MEGENEISHVILI
The FINANCIAL

GALT & TAGGART has accepted the offer to issue two-years long bonds of MFO CRYSTAL, worth of 15 million GEL. The annual coupon rate on the mentioned bonds was set at 4% over the refinancing rate.

Earning the highest credit evaluation, by the rating company FITCH, (FITCH RATINGS), CRYSTAL as a non-banking financial organisation, alongside with their astonishing results, has earned a trustworthy name among investors, and therefore created a demand for corporate bonds, which will be traded on the



Georgian stock market.

The noteworthy portion of the earned revenue on bonds, will be spend to offer reasonable loans to female customers, to increase the awareness and skills suitable for the business world and on development of their own businesses. Female play a significant role into the development of the Georgian economy, CRYSTAL as the participant of the Georgian economy would be eager to support the women.

With the introduction of the second release of the corporate bonds, CRYSTAL is glad to continue their doings, that they consider stands beneficial both for the company and the market on bonds. "we would love to give props to the financial investment management services company GALT & TAGGART with their amazing team

and as well as to the GEORGIAN NATIONAL BANK for their support. It is very noteworthy that the revenue gained from releasing the notes will be spend to incentivise the economic prosperity of female entrepreneurs, and to enlarge their businesses." Stated Archil Bakuradze, the head of the supervisory board of CRYSTAL.

"I would love to congratulate to CRYSTAL, for successfully issuing the new bonds, the second issue is the symbol that highlights the trust of the investors towards our organisation. My congratulation as well as goes to GALT & TAGGART, who became one of the leading investment management services company on the Georgian market." Stated Otar Sharikadze, the chief executive of GALT & TAGGART

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Equal Rights Are Not Just for Women: Are We Ready for New Paternity Leave Policies in Georgia?

Continued from p. 2

Paternity leave – available only for fathers and usually taken soon after the birth of a child. The purpose of the leave is to enable fathers to spend more time with their partners and newborn children.

Parental leave – is available equally for mothers and fathers. This leave offers all parents an equal opportunity to take care of and spend time with young children. Moreover, parental leave may be either transferable or non-transferable, an individual or a family right, which may be divided between the parents.

It is notable that neither the Labour Code of Georgia nor the Law on Public Service recognizes the terms “maternity”, “paternity” or “parental” leave. There is only one term – “Pregnancy, childbearing and childcare, and the adoption of newborns leave of absence”, which is *a priori*, associated with a leave available only for mothers. Even Google translate returns a stereotypical phrase- “დეკრეტული შვებულება” (“decree leave” in word-for-word translation), which is informally used to describe working parents who take leave for childcare, such as maternity leave.

The leave policy in Georgia is slightly different for the public and private sectors. In the public sector, a maximum of 730 days are allocated to “pregnancy, childbearing and childcare, and the adoption of newborns leave of absence” (this *de jure* leave can be taken either by the mother or the father), of which 183 days are paid. Additionally, the public sector payment rate is 100% of the parents’ current salary. Under the current law, there is no clear division of days between maternity or parental leave. Thus, *de facto*, mothers decide how to distribute the days of leave between pregnancy, the stage after birth, and the time needed to take care of a child.

The current legislation for leave in the private sector, almost, duplicates the law for the public sector – there is no division between mother’s and father’s leave, and the



amount of total and paid days remains the same. However, the main difference is the reimbursement ceiling of 1,000 GEL, which implies that an employee on leave is paid a full salary, although the total amount of compensation for the entire leave is limited to a maximum of 1,000 GEL. This leave is paid by the government, and the private sector is not obliged to pay any additional compensation to its employees.

The indistinct definitions of the terminology within the leave policies of the existing legislation are perhaps a key reason behind poor societal awareness. Furthermore, the system presently creates overwhelming difficulties for fathers to obtain all the documentation required for leave. As a result, Georgia has practically zero fathers utilizing leave.

The leave policy in the European Union varies by country. Only 18 of the 28 EU countries offer **paternity leave**, with the average length of 12.5 days (from 1 day in Italy to 64 working days in Slovenia). The compensation is usually linked to the duration of the paternity leave, with shorter periods being fully compensated - 13 countries compensate 100% of the previous income. While **parental leave** is provided by all EU member states, with an average length of 87 weeks (from 18 weeks in Cyprus to 2 years per parent in Greece). The compensation rates vary between 25% and 100% of previous earnings, with only six countries not offering any compensation at all (some countries provide a flat rate, ranging from €139 per

month in Poland to €1,778 per month in Luxembourg). Compared to Georgia, where leave payments are financed solely by the government budget, and additional compensation for private sector employees is dependent on the good will of companies, leave payments by EU member states originate primarily from contributory insurance funds, financed by both employers and employees, and at times from general taxation.

Despite the existing leave policy for fathers, the average take-up rate of male parental leave is only 10% in the EU, ranging from 0.02% in Greece to 44% in Sweden (data for paternity leave does not exist). These rates can be explained by several factors, such as low levels of compensation for paternity and parental leave; a lack of flexibility in the timing of leave; restricted eligibility (for self-employed fathers, or those with a short or unstable work history); and the cultural norms and perceptions regarding gender division.

The role of gender is perhaps the most important obstacle behind increasing the uptake of male leave in Georgia. According to the study “Men and gender relations in Georgia” (UNFPA, 2014), 30%-42% of fathers never prepare food, change diapers, or bathe children aged 0 to 6, and the percentage of men who take care of a child on a daily basis is below 18%. The same study reveals that 89% of the respondents (an equal number of men and women) consider the main responsibility of women to be taking care of their families. Therefore, it is possible that not

only the current “discriminating” legislation and the lack of available information on leave, but also cultural mentality and fathers’ fears regarding “traditional” behaviors are responsible for keeping the number of fathers who have used leave within just one-digit.

Why Does It Matter?

Nevertheless, it is important to ask, why is the promotion of paternity and father’s parental leave so important?

It is notable that there are different studies emphasizing the positive economic, social, and demographic effects for increasing the uptake of father’s leave. By promoting paternity leave and parental leave taken by fathers, policy-makers typically aim to facilitate an equal division of housework and childcare between women and men, thus supporting the return of mothers to employment and equalizing the conditions in which both women and men enter the labor market. An increased uptake of father’s leave also reduces the so-called “*motherhood penalty*” – where women exit employment, more so than men, after the birth of a child (Miani & Hoorens, 2014). Moreover, often when women manage to return to the labor market immediately after birth, they often take poor quality part-time jobs with lower salaries and limited opportunities for career development (Crompton, 2006). This concept is known as the “*child penalty*”, which frequently also increas-

es the gender pay gap (GPG). Thus, an increase in the take-up rate of leave by fathers reduces the “*child penalty*” for women and, consequently, shrinks the GPG by allowing mothers to return to full-time work. Furthermore, the poor take-up rate of paternal leave creates a gender pension gap - the difference between male and female accumulated pensions, which is estimated to be 40% in the EU. The increased uptake of leave by fathers can also further reduce the extent of career interruptions and part-time employment of women, and potentially cut the GPG (all leading causes of the gender pension gap), by reducing the uptake of mother’s leave (European Commission, 2014).

It is noteworthy that an increase in the uptake of father’s leave also positively affects certain social outcomes. Firstly, it equalizes the division of paid employment, unpaid care and housework between men and women, leading to an improved work-life balance. Secondly, fathers’ additional involvement in parental activities positively affects cognitive relationships, bonding fathers with their children (Huerta et al., 2013, Cools et al., 2015). Furthermore, the active involvement of fathers in childcare may also encourage women to have more children, which raises fertility rates and can lead to positive demographic forecasts (Duvander & Andersson, 2006).

Such positive socio-economic and demographic outcomes behind the increased uptake of father’s leave seem quite relevant in Georgia. It is possible to reduce the rather large gender wage difference (the average female wage equals 64.3% of the male wage); diminish the risks of facilitating gender equality, utilizing the newly introduced pension system; and improve the weakened demographic situation in the country.

Finally, I wish to ask a simple question to potential fathers – would you take paternity or father’s leave in order to take care of your child?

1 200 days are paid in the case of multiple births.

TBC Bank CEO Vakhtang Butskhrikidze Wins Special Award for Responsible Capitalism in Adversity

The FINANCIAL – TBC Bank is delighted to announce that its CEO, Vakhtang Butskhrikidze, has won the Special Award for Responsible Capitalism in Adversity from the prestigious FIRST organisation – a multidisciplinary international affairs organization, which aims to enhance dialogue between leaders in industry, finance and government.

Vakhtang Butskhrikidze was nominated for the award by Sir Suma Chakrabarti, President of the European Bank For Reconstruction and Development (EBRD).

I am honored to receive this prestigious award. Corporate social responsibility has always been one of our core values and is an integral part of TBC Banks success story. Since TBC Banks inception 26 years ago, we have always sought to provide sustainable returns to our shareholders, as well as support our customers, employees and the wider community to succeed, commented Vakhtang Butskhrikidze, Chief Executive Officer.

Rupert Goodman, Chairman and Founder of FIRST, said: Vakhtang Butskhrikidze’s contribution to Responsible Capitalism in Georgia is to be applauded. Under his leadership, TBC Bank has always sought to provide sustainable returns for its shareholders, while creating challenging and rewarding careers for employees. Over the past nearly three decades, Mr Butskhrikidze has sought to preserve and promote Georgias unique culture whilst enabling economic innovation. TBC Banks support for important social projects “including supporting young people through sports and the arts programmes – creates grassroots opportunities that contribute to the sustainable development of the wider Georgian community.

TBC Bank Non-Executive Director Eric Rajendra Resigns Due To Health

LONDON (Alliance News) - TBC Bank Group PLC said Friday Non-Executive Director Eric Rajendra has resigned from the Georgian bank due to “health reasons” with immediate effect.

“The board of TBC Bank is deeply saddened by the news that Eric Rajendra is unable to continue as a director due to health reasons,” TBC Chair Mamuka Khazaradze said. “Eric has had a long association with the bank, and we wish him a speedy recovery.”

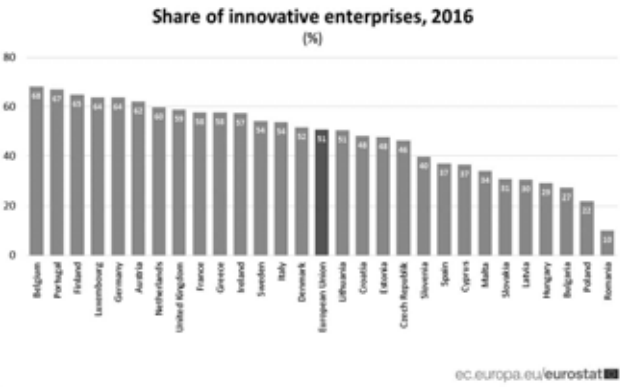
Shares in TBC closed 3.3% higher at 1,642.00 pence on Friday.

Highest proportions of innovative enterprises in Belgium, Portugal, Finland, Luxembourg and Germany

The FINANCIAL

The full results of the Community Innovation Survey 2016, which contains a broad set of indicators on innovation activities of enterprises, are now available in the Eurostat online database.

In a nutshell, in the European Union (EU) around half (51 %) of the enterprises of 10 employees or more



reported innovation activity during the period 2014-2016, slightly more than in the period 2012-2014 (49 %). The share of innovative enterprises increased or stayed the same in 20 EU Member States and decreased in eight. Particularly strong increases were reported for Estonia, Portugal, Finland and Croatia. With increases from 54 % to 67 % in Portugal and from 55 % to 65 % in Finland these two

countries are now amongst the top five countries.

During the period 2014-2016, the highest proportions of enterprises with innovation activity were recorded in Belgium (68 % of enterprises), Portugal (67 %), Finland (65 %), Luxembourg (64 %) and Germany (64 %). In the same period, the share was below 30% in Romania (10 %), Poland (22 %), Bulgaria (27 %) and Hungary (29 %).

publicity

OPIC, a US-based Private Investment Corporation, is to finance PACE Group's new port and terminal with by \$50 million



Opic is Spending \$50 mln on Construction of the Marine Terminal. How did PACE GROUP Manage to Attract Such a Large Investment?

OPIC's trust in PACE Group and Georgia is so high that this unprecedented loan has been allocated. OPIC has been active in the Caucasus region for 20 years, however, this is its first investment in transport infrastructure, distinguished by a volume that clearly demonstrates this project is real. OPIC expressed interest in the project in 2014 and studied PACE Group activities during this period. A lot of time has been spent on engineering expertise, marine-nautical navigation, environmental protection of high standards, as well as labor safety conditions, and, on seeing the convincing results, they agreed to offer a \$50 million low-interest loan, which we have 15 years to pay back.

The Project Cost Amounts to \$ 120 Million, at the First Phase \$93 Million. What Works are Planned Within the First Phase?

In order to maintain and enhance Georgia's importance as a transport corridor, it is essential to develop infrastructure, and development of transport infrastructure should first begin with marine infrastructure. The country needs a deep-water sea

port, hence PACE Group's developing 25-hectare of port infrastructure. Over 700 meters of berth construction is planned. The project will be implemented in two phases. Within the first phase, 260 meters will be built of a depth of around 12m. The \$93 million includes transportation infrastructure, such as rail-ways and open and closed warehouses. This is not a new project: PACE Group started in 2015 and the first phase partially fulfilled, with \$28 million spent so far. The PACE terminal is up and running, we are starting up cargo, and the terminal is busy enough to necessitate a deep-water port. We have an open warehouse of about 10 hectares and a 30-thousand-ton capacity in closed ones. We add 50 thousand tons of closed warehouses due to the demand and these are already full. We have Carbamide, mineral fertilizers to arrange and need additional infrastructure. These warehouses and infrastructure will carry about 1.5 million tons of cargo. Depending on the size of cargo, we need to be able to receive big ships, otherwise we will lose cargo. PACE Group employs over a thousand people and this number will increase as a result of this project.

Tell us About the Second Stage of the Project

We have already prepared tender documentation. In two-three months we will announce the tender to choose the company that will perform the second-phase construction works. Presumably, Georgian companies will not be able to participate in the tender because OPIC's requirements are quite high, so most likely we will see Norwegians,

Dutch and Turks expressing interest. Obviously, the selected company will need subcontractors and we will make recommendations of those Georgian companies with whom we have successfully cooperated before. We have a very strict schedule; the works should end 18 months after it begins, and at the end of 2020 we will have a deep-water terminal. In the second stage of the project, not only OPIC, but other financial institutions have expressed their willingness to cooperate. We plan to develop a warehouse infrastructure, including liquid cargo (we now focus on bulk cargoes). The PACE terminal has a 27-year history and I can name a number of examples where we were able to attract new cargoes by our own efforts. Aluminum oxide, which is a raw aluminum production, was carried from Russia by a Tajik factory. We managed to convince them to move 35 thousand tons through the Poti Port, and then upped it to 150 thousand tons annually. Poti Port became a hub for that Tajik factory and aluminum realization was made from here thanks to the proximity to the European market. The PACE terminal was the first in Georgia to craft cargoes that could not be obtained by any other port of our country. Among them is Turkmenistan Mineral Fertilizer - Carbamide, which has been transferred to Poti since 2016. Prior to that, transportation went through Russia and Iran. Also, PACE Group was the first to implement a modern reverse-type wheat terminal, which is the only one in the country. Last year we dealt with 100 thousand tons of Russian-Kazakh wheat. The terminal also processes mineral fer-



IRAKLI KERVASHVILI, PACE Group co-founder

tilizers produced in Central Asian countries. By means of our terminal, we transported BP pipelines within the Shah Deniz 2 project, which is so important for our region, in 2015-2017. The relevant infrastructure was not in the country, we allowed these pipes to be transported and stored here.

Sum up Last Year and Give us an Insight Into what to Look Forward to from PACE GROUP in Future

2018 was financially hard for the company. Our annual cargo turnover amounts to about 3 million tons, but last year it decreased to 2.6 million tons. In 2018, we signed a number of important agreements and we are expecting to increase the cargo by 700 thousand tons this year. Russian coal, Turkmen sulfur, and wheat flows will increase. During the past year, PACE Group has taken an important step, as many companies have promised to cooperate with us.

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Highest proportion of government expenditure goes to social protection and health

Total government expenditure continued to decrease

The FINANCIAL

In 2017, total government expenditure in the European Union (EU) amounted to 45.8% of gross domestic product (GDP). This share has steadily decreased since 2012, when it stood at 48.9% of GDP.

Among the main functions of general government expenditure in the EU, 'social protection' is by far the most important, equivalent to 18.8% of GDP in 2017. The next most important areas are 'health' (7.0%), 'general public services' (5.8%) such as external affairs and public debt transactions, 'education' (4.6%) and 'economic affairs' (4.0%). The functions 'public order and safety' (1.7%), 'defence' (1.3%), 'recreation, culture and religion' (1.1%), 'environmental protection' (0.8%) and 'housing and community amenities' (0.6%) have more limited weights.

Share of social protection expenditure related to old age highest in Greece and Finland and lowest in Ireland

Social protection represented the most important area of general government expenditure in 2017 in all EU Member States. The ratio of government social protection expenditure to GDP varied across EU Member States from less than 10% in Ireland (9.5%) to nearly a quarter in Finland (24.9%). Six Member States – Finland, France, Denmark, Italy, Austria and Sweden – devoted at least 20% of GDP to social protection, while Ireland, Lithuania,



Malta, Latvia, Romania, Czechia and Bulgaria each spent less than 13% of GDP on social protection.

Social protection expenditure can be further broken down into a number of detailed groups. The group 'old age', which includes pensions, accounted for 10.1% of GDP in the EU in 2017. It made up the largest part of social protection expenditure in all Member States, with the highest shares being registered in Greece and Finland (both 13.8%), followed by France and Italy (both 13.4%) as well as Austria (12.5%). In contrast, Ireland (3.4%), Lithuania (5.7%) and Cyprus (6.0%) recorded the lowest shares.

Government expenditure on health highest in Denmark, on education highest in Sweden

With shares of at least 8% of GDP in 2017, Denmark (8.4%), Austria (8.2%) and France (8.0%) recorded the highest ratios to GDP devoted to health among EU Member States. The highest ratios to GDP of government expenditure on general public services were observed in Greece

(8.3%) and Italy (8.2%). For education, the highest shares were registered in Sweden (6.8%), Denmark (6.5%) and Belgium (6.3%).

The highest shares of government expenditure on economic affairs in 2017 were recorded in Hungary (7.1% of GDP) and Belgium (6.3%). For public order & safety, shares were highest in Bulgaria (2.5%) and Hungary (2.4%).

In 2017, at least 2% of GDP was spent on defence in Greece (2.5%) as well as Estonia and Cyprus (both 2.0%). The highest shares of government expenditure on recreation, culture & religion were recorded in Hungary (3.5%) and Estonia (2.1%), on environmental protection in the Netherlands (1.4%) and Greece (1.3%), and on housing & community amenities in Bulgaria and Cyprus (both 1.6%).

Evolution of general

government total expenditure

During the first three years of the economic and financial crisis (2007-2009), government expenditure as a percentage of GDP grew in the EU. It increased from 44.6% of GDP in 2007 to 50.0% in 2009, which was partially due to a lower GDP. Apart from an increase between the years 2011 and 2012 (from 48.5% of GDP to 48.9%), it has steadily decreased ever since, standing at 45.8% of GDP in 2017. This gradual decrease was partly the result of the fiscal consolidation measures, renewed economic growth and counter-cyclical reactions of government expenditure. In recent years, one-off expenditure to support financial institutions has been decreasing.

Not all the functions of government expenditure evolved the same between 2007 and 2017. Some of

the functions have a natural tendency to be counter-cyclical, even without a change in policy. For example, government expenditure on unemployment benefits (part of social protection) is more prone to have a natural counter-cyclical evolution than other functions, such as government expenditure on education. During an economic crisis, more people become unemployed, whereas the number of pupils and students is more affected by demographic changes. Between 2007 and 2009, expenditure on unemployment in the EU increased from 1.4% of GDP to 1.8%, decreasing ever since to stand at 1.2% in 2017. Social protection expenditure as a whole increased from 17.0% of GDP (2007) to 19.4% (2009), standing at 18.8% of GDP in 2017. In the same period, government expenditure on education in the EU rose from 4.9% of GDP (2007) to 5.2% (2009), and then gradually decreased to 4.6% (2017).

Social protection and health expenditure increased in comparison to other general government expenditure

'Social protection' and 'health' are the only two functions whose shares in total government expenditure increased during the period from 2007 to 2017. In the EU, social protection expenditure increased its share in total expenditure from 38.2% to 41.1%, while expenditure on health increased from 14.5% to 15.3% of total expenditure. At the same time, the share of all other functions decreased. Government expenditure on education, for example, fell from 10.9% of total expenditure in 2007 to 10.2% in 2017. This pattern appears unaffected by economic cycles.

Industrial production up by 1.4% in euro area

The FINANCIAL – In January 2019 compared with December 2018, seasonally adjusted industrial production rose by 1.4% in the euro area (EA19) and by 1.0% in the EU28, according to estimates from Eurostat, the statistical office of the European Union. In December 2018, industrial production fell by 0.9% in the euro area and by 0.4% in the EU28.

In January 2019 compared with January 2018, industrial production decreased by 1.1% in the euro area and by 0.4% in the EU28.

Monthly comparison by main industrial grouping and by Member State

In the euro area in January 2019, compared with December 2018, production of energy rose by 2.4%, non-durable consumer goods by 2.0%, durable consumer goods by 1.1%, capital goods by 0.9% and intermediate goods by 0.2%.

In the EU28, production of energy rose by 1.4%, durable consumer goods by 1.3%, non-durable consumer goods by 1.0%, capital goods by 0.9% and intermediate goods by 0.3%.

Among Member States for which data are available, the highest increases in industrial production were registered in Ireland (+15.1%), Croatia (+9.6%) and Slovenia (+5.9%). The largest decreases were observed in Denmark (-8.6%), Latvia (-3.6%) and Romania (-1.5%).

Annual comparison by main industrial grouping and by Member State

In the euro area in January 2019, compared with January 2018, production of capital goods fell by 3.0%, intermediate goods by 1.8% and durable consumer goods by 1.2%, while production of non-durable consumer goods rose by 0.7% and energy by 4.0%.

In the EU28, production of capital goods fell by 2.4%, intermediate goods by 1.2% and durable consumer goods by 0.1%, while production of non-durable consumer goods rose by 1.4% and energy by 2.9%.

Among Member States for which data are available, the largest decreases in industrial production were registered in Ireland (-6.2%), Luxembourg (-4.2%) and Germany (-3.4%). The highest increases were observed in Slovakia (+7.2%), Poland (+6.1%) and Lithuania (+5.9%).

Annual inflation up to 1.5% in the euro area

Up to 1.6% in the EU

The FINANCIAL

The euro area annual inflation rate was 1.5% in February 2019, up from 1.4% in January 2019. A year earlier, the rate was 1.1%. European Union annual inflation was 1.6% in February 2019, up from 1.5% in January 2019. A year earlier, the rate was 1.4%. The lowest annual rates were

registered in Ireland (0.7%), Greece, Croatia and Cyprus (all 0.8%). The highest annual rates were recorded in Romania (4.0%), Hungary (3.2%) and Latvia (2.8%). Compared with January 2019, annual inflation fell in seven Member States, remained stable in one and rose in nineteen.

In February 2019, the highest contribution to the annual euro area inflation rate came from services (+0.61 percentage points, pp), followed by food, alcohol & tobacco (+0.44 pp), energy (+0.35 pp) and non-energy industrial goods (+0.09 pp).

financial news

“NATO: fit for the future”, Secretary General’s Annual Report

The FINANCIAL

On 14 March, NATO Secretary General Jens Stoltenberg presented his Annual Report for 2018. The Report, he says, “shows that NATO continues to modernise”.

The story of NATO in 2018 is one of an Alliance responding to the challenges of today, adapting to the challenges of tomorrow, and investing in the future.

To keep us all safe, Allies are “doing a lot more together – in more ways and in more place – than ever before”, said the Secretary General. They are strengthening NATO’s deterrence and defence posture, boosting their cyber defences, fighting international terrorism, deepening partnerships, and much more.

The Report shows that defence spending among European Allies and Canada increased by almost 4% from 2017 to 2018, and that in the period from 2016 to 2018, they have contributed an additional cumulative spending of over 41 billion dollars. “We expect that figure to rise to 100 billion dollars by the end of next year”, said Jens Stoltenberg.

In 2018, seven Allies reached the 2% defence



spending guideline, up from three in 2014. A majority of Allies is also spending more than 20% of their defence expenditure on major equipment and according to 2018 national plans, 24 Allies will meet the 20% guideline by 2024.

The Report also shows that Allies continue to make valuable contributions to NATO’s operations, missions and other activities. The Secretary General indicated that there are “more than twenty thousand troops serving from Af-

ghanistan and Iraq to Kosovo, the Baltic countries, and Poland.”

Looking ahead to the events marking NATO’s 70th anniversary – the meeting of Foreign Ministers in Washington D.C. in April, and the Leaders’ Meeting in London in December, the Secretary General stressed that “we must continue to stand strong together”. “Standing with unity and resolve”, he added, “NATO will remain a pillar of stability for generations to come”.

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New York, London and Hong Kong expected to remain as top listing destinations in 2030



The FINANCIAL

Companies from China and India expected to dominate issuance in 2030, although growth of exchanges in emerging markets has been more subdued than anticipated. Seventy per cent of respondents expect businesses to consider going public at some stage, notwithstanding public equity becoming a less important source of funding. The range of financing alternatives has increased, with private equity being the preferred option.

London, 11th March 2019: The top four exchanges that issuers will consider beyond their home exchange in 2030 are the New York Stock Exchange (NYSE) (37%), Nasdaq (26%), London Stock Exchange

(LSE) (24%), and Hong Kong Stock Exchange (24%), according to Capital Markets in 2030, new research by The Economist Intelligence Unit on behalf of PwC. The survey asked nearly 400 executives at companies from across the globe for their views on the factors that are defining the development of global equity capital markets, following up from a 2011 report.

This marks a change from 2011 when respondents predicted that Shanghai market would be the leading exchange by 2025, followed by NYSE, the Indian exchanges and Brazil’s Bovespa.

“Excessive optimism about emerging markets has been tempered by political and market realities. Expectations are now for a more closely run race between developed and emerging markets exchanges,” Ross

Hunter, PwC Global IPO Centre leader, comments.

Looking at the IPO pipeline, China (55%) is the country predicted to generate the most new issuers by 2030 followed by India (45%), the US (41%), Brazil (21%) and, despite Brexit concerns, the UK (18%). China and India also led in this category in our previous survey. Both have been taking steps to develop their equity capital markets, with a number of recent initiatives in China in particular.

Liquidity remains the top priority (selected as most important by 49% of respondents) when choosing a listing location. There is also an increase in the focus on valuations (32%) and concern about the costs of listing (29%).

PwC anticipates that technology will continue to be a significant driver

in the future of public companies. Increasing efforts by leading financial centres to win over technology and ‘new economy’ companies will continue to intensify competition between the New York and China (mainland China and Hong Kong) exchanges in particular.

It is clear that in recent years companies’ options for raising capital have increased. Some 76% of respondents believe that there are now more choices of both public and private financing routes in both developed and emerging markets.

Although 70% of respondents believe a public listing is becoming a less important source of funding globally, a similar proportion of survey respondents think it would be advantageous for successful companies to go public over some point in their life cycle. The most attractive

private funding option, selected by 55% of respondents, is private equity.

Ross states: “Private equity has been significantly influencing capital markets in recent years, leading to fewer, larger, later IPOs – particularly with technology and ‘new economy’ companies.”

Ultimately, therefore, rather than simply being seen as rivals to public equity markets, companies increasingly consider private markets to be complementary sources of capital that they can tap into when appropriate.

“For companies, the choice of credible exchanges for public listings, as well as the range of private funding options, will continue to expand, adding to the alternatives when they seek to raise capital,” Ross Hunter concludes.

More female and older workers have boosted Japan's labour market

The FINANCIAL

Despite a shrinking and ageing population, Japan is continuing to add to its workforce through greater female and older worker employment. PwC's latest Global Economy Watch explores how Japan is countering its challenging demographics and whether this can continue.

Japan's population is contracting, since its peak at 128 million in 2010, it has declined by 1.3 million people. Additionally, its population is old: 28% are over 65, compared with 18% in the UK and 15% in the US. Yet the number of people working in Japan continues to rise, up by 1.7% in 2018. This growth was not enabled by a reduction in high unemployment; joblessness has been low and falling for years.

Japan's female employment rate is a key contributor. In 2002, there was a ten percentage point gap between female employment rates in the US and Japan, but Japan has now overtaken the US. A higher proportion of women are also returning to work sooner after having children than they were previously.

Government policy in Japan has aided this, by increasing the number of nursery places and making provision for all 3-5 year olds free by 2021. A law passed in 2015 demands that larger firms set targets for hiring and promoting women. Other legislation caps overtime at 100 hours a month, a move designed to both prevent over-work and generate new roles where demand clearly exists.

The Japanese government is also aiming to push up the retirement age for state workers from 60 to 65



JAPAN HAS CONTINUED TO GROW ITS WORKFORCE DESPITE A SHRINKING AND AGEING POPULATION.

and boost the public pension for those that opt to defer drawing from it. Japan is already leading the world by retaining so many older workers; its rate of around 25% is higher than that in the US (18%) and the UK (10%).

"Japan's already strong labour market has found a way to strengthen further despite its unfavourable demographics. Former barriers to entry, such as a culture of long office hours, entrenched gender roles

and a lack of flexibility have shifted thanks to government intervention. This has enabled parts of the population previously deterred from working, such as women and older people, to participate", Mike Jake-man, senior economist at PwC, comments.

"There's a reluctance to embrace higher immigration in Japan, but parliament has approved the creation of two new visas, which could see immigration increase.

"But the remarkable performance of Japan's labour market will require more births and more immigrants to be sustained."

If Japan's decline in unemployment rate continues at its average rate of the past eight years, the economy would hit zero unemployment in 2027. It is possible that this date could be deferred if the labour force continued to grow, but the eventual impediment to this will be its shrinking population.

Fitch Rates Bank of Georgia's Upcoming Perpetual AT1 Notes 'B-(EXP)'

The FINANCIAL – Fitch Ratings has assigned Bank of Georgia's (BOG) upcoming issue of USD-denominated perpetual additional Tier 1 (AT1) notes an expected long-term rating of 'B-(EXP)'. The final rating is contingent upon receipt of final documents conforming to information already received.

The notes should qualify as AT1 capital in regulatory accounts due to a full coupon omission option at BOG's discretion and full or partial write-down in case of either BOG's core equity Tier 1 (CET1) ratio falling below 5.125% (versus 4.5% regulatory minimum, excluding buffers) or due to regulatory interventions by the National Bank of Georgia (NBG). Fitch believes the latter is only possible if BOG breaches minimum regulatory capital or liquidity requirements, or local regulation in any other form. This is currently not expected by Fitch, given a Positive Outlook on BOG's 'BB-' Long-Term Issuer Default Ratings (IDRs).

The expected rating assigned to BOG's forthcoming perpetual AT1 notes is three notches lower than the bank's 'bb-' Viability Rating (VR). According to our Bank Rating Criteria (Criteria), this is the highest possible rating that can be assigned to deeply subordinated notes with fully discretionary coupon omission issued by banks with a VR anchor of 'bb-'.

The notching comprises:
- Two notches for higher loss severity relative to senior unsecured creditors due to a write-down trigger (CET1 ratio of 5.125%), meaning that AT1 notes may start to absorb losses before BOG breaches its 4.5% minimum Core Tier 1 capital ratio (excluding buffers).

- One notch for non-performance risk, as BOG has an option to cancel the coupon payments at its discretion. This is more likely if combined Pillar 1 and Pillar 2 capital ratios fall below the combined buffer requirements established by the regulator. This risk is somewhat mitigated by BOG's reasonable internal capital generation capacity and the bank's intention to build up its combined capital ratios to about 200bp over the minimum required levels.

The notes will have no established redemption date. However, BOG will have an option to repay the notes after the first coupon reset date (in 2024) subject to NBG's approval.

BOG's regulatory Core Tier 1 and Tier 1 ratios were both 12.2% at end-2018. The required statutory minimums for BOG, including capital conservation buffer (2.5%), systemic importance buffer (1%) and several Pillar 2 buffers, were 9.4% and 11.4%, respectively. The countercyclical buffer also applies, but is currently set at 0%. BOG's regulatory total capital ratio was 16.6% at end-2018 vs. a 15.9% minimum requirement, including buffers.

Fitch may widen the rating notching if non-performance risk increases. For example, this could arise from BOG failing to maintain reasonable headroom over the minimum capital adequacy ratios (including the buffers) or from the instrument becoming non-performing, i.e. if the bank cancels any coupon payment or at least partially writes off the principal. In that case, the issue will be downgraded based on Fitch's expectations about the form and duration of non-performance.

Upside for the notes is limited as per Fitch's criteria the minimum notching of deeply subordinated instruments will increase up to four notches, should the VR be upgraded to 'bb' from 'bb-'.

What is the milk in the EU used for?

Fabrication of:

| | | |
|---|-----------------|--------|
|  | Cheese | 37.0 % |
|  | Butter | 29.3 % |
|  | Cream | 12.5 % |
|  | Drinking milk | 11.1 % |
|  | Acidified milk | 4.2 % |
|  | Powder products | 3.0 % |
| | Other products | 2.9 % |

Milk refers to whole milk which is processed (98.9 % of the available milk). The remains (1.1 %) is non-processed milk, which is delivered to the national non-dairy industry (agri-food, feedstuff industries etc.), returned to farms or lost.

Data for 2017.



ec.europa.eu/eurostat

Christchurch Attacks: Why Are The Names Of A Georgian King And A Ukrainian Extremist Written On The Guns?

Continued from p. 6

Breivik 'Inspiration'

One other obscure name scrawled on Tarrant's guns also caught the attention of online observers trying to figure out his motivations: the name of Pavlo Serhiyovych.

Formally known as Pavlo Lapshyn, he hailed from the Ukrainian city of Dnipro, and traveled to England in early 2013 on a temporary work visa, according to a report in the online publication Open Democracy.

Five days after arriving, he stabbed an 82-year-old man named Muhammad Saleem to death as he walked home in Birmingham. Lapshyn later confessed to the crime, telling investigators he killed Saleem because he hated "non-whites."

He also admitted planting bombs at mosques in three towns in central England.

He was sentenced to 40 years in prison in October 2013.

Many more of the names written on Tarrant's guns focus on the history of the Balkans, and conflict, past and present, between Christian and Muslims there.

That includes the legendary Serbian knight Milos Obilic and Serbian Prince Lazar Hrebeljanovic, who both fought against the Ottoman Turks at the Battle of Kosovo in 1389.

The names of several other Balkan figures who fought against the Turks over the centuries are also scrawled on Tarrant's weapons.

In his manifesto, Tarrant wrote that he "only really took true inspiration" from Anders Breivik, the Norwegian far-right terrorist who killed 77 people in a bomb-and-gun attack around Oslo in 2011.

Before his attack, Breivik published a 1,500-page treatise with hundreds of references to the conflicts in the Balkans.

Mike Eckel

Mike Eckel is a senior correspondent for RFE/RL based in Washington.

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