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1 April, 2019

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Research by TBC Capital Estimates Tbilisi's Real Estate Market Volume at GEL 4.1 Billion

By GELA MEGENEISH-VILI

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Continued on p. 3

Net-Metering: A Realistic Green Solution to the Generation-Consumption Deficit?

ISET

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Continued on p. 2

Cybersecurity spend tops US\$10 billion in Q4 2018 as new deployment models gain traction

Palo ALTO
CANALYS

According to Canalys estimates, worldwide cybersecurity spending exceeded US\$10 billion for the first time in Q4 2018. Organizations increased their level of protection against malicious threats, while adhering to strengthening data compliance regulations. Total cybersecurity

investment in 2018 reached US\$37 billion, up 9% from US\$34 billion in 2017.

Despite the high priority many organizations give to protecting their data assets, endpoints, networks, employees and customers, cybersecurity still only represented 2% of total IT expenditure last year. This will inevitably rise as new, more frequent and sophisticated threats emerge, which will give vendors further growth opportunities. By 2020, total cybersecurity

spend is expected to surpass US\$42 billion on an annual basis.

"Over the next two years, the transition in cybersecurity deployment models will accelerate. Customers are changing their IT buying behavior, with the adoption of public cloud, and flexible consumption and subscription services," said Canalys Principal Analyst Matthew Ball.

Continued on p. 14

Consumers expect financial institutions take the security of their customers' personal information seriously

The FINANCIAL

The continuous evolution of digital transformation is outstripping the pace of cyber security in organizations. As a result, we're witnessing

a fundamental disconnect between consumer expectations and concerns, and the ability of organizations to meet those expectations, according to KPMG's Consumer Loss Barometer report.

Consumers continue to have reservations about the possible

misuse of their private details. They are more worried about how these breaches will affect them personally and are less concerned about the impact of a breach on an organization.

Continued on p. 4

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Why it matters: With these comments, along with other specific recommendations for regulation in the Washington Post op-ed, Zuckerberg is trying to shape the terms of the multi-front debate over its collection of user data and massive influence over information.

Continued on p. 5

CURRENCIES

	Mar 29	Mar 22
1 USD	2.6969 ▼	2.6793
1 EUR	3.0335 ▲	3.0515
100 RUB	4.1505 ▲	4.2031
1 TRY	0.4825 ▲	0.4917

financial news



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CURRENT PRICES ON GASOLINE AND DIESEL

1 APRIL, 2019, GEORGIA



Prices in GEL

G-Force Super 2.57
G-Force Premium 2.43
G-Force Euro Regular 2.35
Euro Regular 2.29
G-Force Euro Diesel 2.59
Euro Diesel 2.49
CNG 1.49



Prices in GEL

Eko Super 2.64
Eko Premium 2.57
Eko Diesel 2.83
Euro Diesel 2.59
Euro Regular 2.49
Diesel Energy 2.53



Prices in GEL

Super Ecto 100 2.69
Super Ecto 2.55
Premium Avangard Ecto 2.44
Euro Regular 2.29
Euro Deasel 2.49



Prices in GEL

Nano Super 2.58
Nano Premium 2.48
Nano Euro Regular 2.38
Nano Diesel 2.40
Nano Euro Diesel 2.53
GNG 1.45



Prices in GEL

Efix Euro 98 2.64
Efix Euro Premium 2.57
Euro Regular 2.49
Efix Euro Diesel 2.59
Euro Diesel 2.53



ISSET ECONOMIC INDICATORS

International School of Economics at TSU



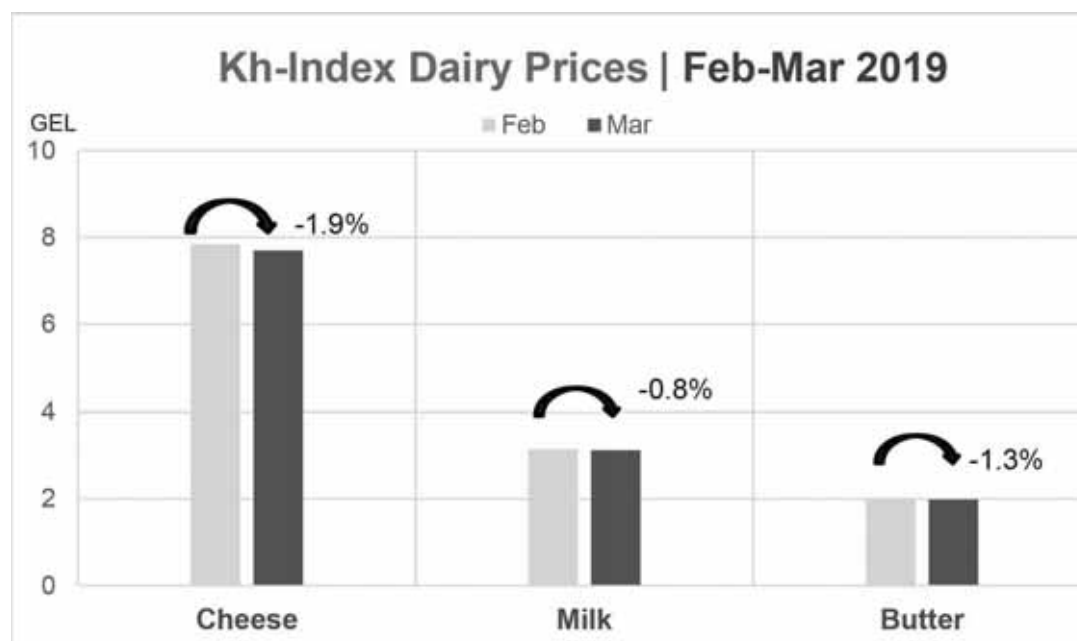
For more: WWW.ISSET-PI.GE

DAIRY PRICES KEEP FALLING

In March 2019, the average cost of cooking one standard Imeretian khachapuri declined slightly to 3.51 GEL, which is 0.8% lower MoM (compared to February 2019), and 1.1% lower YoY (compared to March 2018).

Generally, at this time of the year (beginning as early as February), we observe a seasonal reduction in the price of khachapuri, driven by the recurrent decline in the price of milk. According to the Khachapuri Index data, the price of milk and the amount of milk produced declined compared to last month. While the price of cheese, 7.70 GEL per kg in March 2019, is 1.9% less than in February. The price of milk and butter also declined compared to last month, by 0.8% and 1.3%, respectively.

We anticipate that in upcoming months, the price of milk will follow the common seasonal trend and continue to decline. The Easter



effect, more specifically Great Lent (which began on 11 March), might

have assisted the downward trend in price, as the demand for cheese

and other milk products is lower during the period of Lent.

ISSET ECONOMIC INDICATORS

International School of Economics at TSU



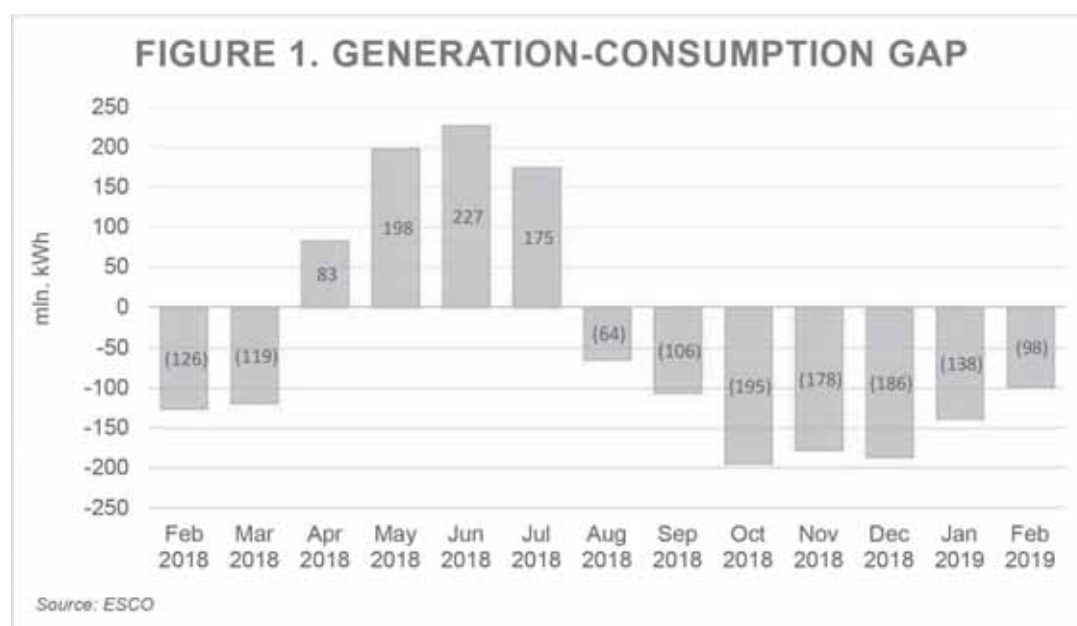
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Net-Metering: A Realistic Green Solution to the Generation-Consumption Deficit?

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In our previous blog, we mentioned that Georgia has been facing a negative generation-consumption gap since 2017. Looking at the consumption-generation gap over the last 12 months, we can observe a negative gap in all (including August 2018) but 4 months (Figure 1).



We have also previously emphasized the need for both supply and demand side policies, which could ease the burden of increased electricity consumption and decrease generation. One of such was the introduction of the net-metering system by the Georgian National Energy and Water Supply Regulatory Commission (GNERC), in 2016. This policy incentivizes electricity generation from residentially owned, green micro-plants and, equally, reduces the demand on the electricity system from the residential sector.

Hence, it can be perceived as a mix of both supply and demand policies. Unfortunately, thus far only 80 consumers have subscribed to the system. In order to achieve the goals of the net-metering system, more consumers need to be encouraged to participate.

Continued on p. 10

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The rising demand from development companies created the necessity for creating a reliable and relevant information source, that would outline the current state of the real estate market and would highlight the leading tendencies.

"We believe that real estate is one of the leading industries that is positively contributing to the Georgian economy, the event gathers current and potential partners in the real estate business, with whom we would gladly share our findings.

2018 has been a very exciting year, and 2019 has also had a very promising start. We hope that our vision alongside the market predictions will be a great help to our partners.

I would say that the most important details that our research has spotted are the market stability and potential for long run growth," Vakhtang Butskhrikidze, the CEO of TBC Bank, stated in

an interview with The FINANCIAL.

The research does indeed reveal some very helpful statistics.

65% of transactions in real estate are for newly-built houses. Average demand for real estate surface area has increased by 31%, which the research claims is directly caused by the ease of accessibility to mortgage loans, as well as newly announced regulations by The National Bank.

With the above-mentioned real-estate regulatory law taken into action, statistics of January 2019 show a dramatic decrease in mortgage loans of 47%.

The year 2018 showed an increase in demand for premium and average houses. In the city centre a significant portion of demand was for houses with a large surface area, whereas demand in the outskirts was dominated by relatively smaller houses.

"The research process involved a very challenging collaboration with the mayor's office, the scale at which our statistics were provided is a shining example of that.

I would also like to mention the undeniable increase in consumer purchase power, which is expected to have a very positive effect on both real estate and the banking sector," stated Giorgi Tkheldze, Deputy CEO of TBC Bank.

As the mayor's office continues to keep their word on tak-

ing care of the infrastructure of Tbilisi, construction permits are becoming harder to gain, reflected in a 45% decrease compared to the previous year.

According to the calculations of TBC Capital, the decrease in construction permits will have its effect in 2021.

With the constant evaluation of the real estate market, TBC Capital is fairly confident about stating that there are little to no signs which might indicate a bursting of the real estate bubble.

2018 has shown a 6% increase in transaction prices in GEL, and 5% in USD.

As for the status of the most expensive districts in terms of real estate, Mtatsminda remains in the number one spot.

Tbilisi happens to offer relatively lower prices (both in its central districts and outskirts) for real estate compared to other cities with a similar status, which leads experts to forecast a rise in prices.

As TBC Capital claims, the long run real estate market analysis points at significant growth, while the short run analysis suggests somewhat balanced prices.

Since 2017, TBC Capital has become a very important part of the business and corporate doings of TBC Bank.

The daughter company specializes in: financial consulting; creditary service; emission of bonds and stocks; investing; research and brokerage doings.



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financial news

Consumers expect financial institutions take the security of their customers' personal information seriously

The global survey of more than 2,000 consumers and 1,800 Chief Information Security Officers (CISOs) identified a mismatch between the priorities of CISOs and consumers in the event of a breach.

The FINANCIAL

The continuous evolution of digital transformation is outstripping the pace of cyber security in organizations. As a result, we're witnessing a fundamental disconnect between consumer expectations and concerns, and the ability of organizations to meet those expectations, according to KPMG's Consumer Loss Barometer report.

Consumers continue to have reservations about the possible misuse of their private details. They are more worried about how these breaches will affect them personally and are less concerned about the impact of a breach on an organization. The survey found sixty-nine (69 percent) of consumers reported concerns about their technology being compromised while thirty-seven (37 percent) of consumers reported having their financial information compromised. On the other hand, two-thirds of CISOs say they prioritize financial loss and reputational risk over the impact on customer trust.

"It's clear that organizations are still prioritizing their bottom line ahead of consumer expectations and concerns, despite the opportunity to use effective cyber security strategy to build consumer confidence and engagement," says Akhilesh Tuteja, KPMG Global Co-Leader, Cyber Security.

When an apology alone may not suffice

In the event of a breach, consumers prefer proof of a fix over an apology (42 and 24 percent respectively).



ALMOST HALF (48 PERCENT) OF CONSUMERS BELIEVE THEIR FINANCIAL INSTITUTIONS HAVE FULL OR JOINT RESPONSIBILITY FOR ENSURING THAT MOBILE DEVICES USED FOR BANKING ARE SECURE.

Conversely, CISOs say they would prioritize an apology over provision of those details (47 and 8 percent respectively).

Tuteja continued, "Organizations can redesign the relationship with their customers by placing trust at the center of how they do business. By reinforcing consumer trust, this can actually improve a company's ability to retain customers and propel growth."

Financial services: Almost half (48 percent) of consumers believe their financial institutions have full or joint responsibility for ensuring that mobile devices used for banking are secure. Regardless if financial institutions see it as their responsibility, they need to show

they take the security of their customers' personal information seriously.

Automotive: 56 percent of consumers are worried about their car being hacked now whereas 73 percent are concerned about being hacked five years from now. For a car manufacturer to succeed, it needs to build trust in its ecosystem data security. Car makers are being held accountable for trust in a complex ecosystem - where dealers, software vendors, hardware vendors, telecommunications providers and, ultimately consumers, all have differing perspectives of the role they play in ensuring vehicle security.

Retail: Alarming, 71 percent

of consumers are more concerned about retailers misusing their personal information than information being taken by hackers (68 percent). This highlights a societal lack of trust in business that organizations must address.

Value within the organization: The vast majority, 83 percent, of CISO respondents brief the board on at least a quarterly or semi-annual basis demonstrating that executives now rate cyber security threats as a significant risk to organizational growth. But when cyber is omitted from the digital business value chain, a trust ecosystem is not delivered and a significant commercial opportunity is missed.

Cloud and connected devices: 75

percent of consumers believe there should be additional security and privacy measures embedded into the design of their connected devices. But this does not necessarily translate into action: only 35 percent limited the use of sensitive, personal data on their devices and only 35 percent were willing to pay a higher price for more secure devices.

Mobile technologies: 75 percent of consumers said they were concerned about theft or misuse of personal information collected by their mobile device. Mobile device makers and network providers can differentiate themselves by building consumer trust in digital channels for such sectors as healthcare and banking, not just in the mobile products and services they provide.

The data published in this report are based on a survey of 1,802 CISOs (or equivalent) in 24 markets, across 12 industries. The respondents were from companies with annual revenues between US\$100 million to US\$10 billion or more. Consumer data was based on a survey of 2,151 consumers in 24 markets. The sample included all age categories, with a higher percentage of Millennials and Gen Xers, as well as being diversified by gender.

Start-up campaign in Germany: KfW launch debt financing for innovative companies in the growth phase

The FINANCIAL - KfW provides a total of EUR 50 million annually for joint financing with private lenders. In the first five years, the German Federal Government will assume 95% hedging of the resulting risks.

Within the scope of the "Tech Growth Fund Initiative", KfW and the German Federal Government are expanding the range of growth financing on offer in Germany with a new financing instrument: KfW's Venture Tech Growth Financing programme now provides loans to technologically innovative and rapidly growing companies with a resilient and promising business model to finance their further growth.



KfW provides a total of EUR 50 million every year under the programme, which is set to run for at least five years. In the first five years, 95% of the resulting risks will be hedged by the federal budget. The new loan programme, as an integral part of the start-up campaign, augments the equity business of the subsidiary KfW Capital, which was established in autumn 2018 and focuses on fund investments.

"With their products and services, innovative growth companies contribute to Germany's standing as a strong business location and ensure the future viability of the social market economy," Dr Ulrich Nussbaum, State

Secretary at the Federal Ministry for Economic Affairs and Energy.

"As part of the start-up campaign, Federal Minister Altmaier has announced that more venture capital will be made available for start-ups. This is now happening with the kick-off of the KfW "Venture Tech Growth Financing" programme. Our hope is that this will stimulate the venture debt market, which is still very weak in Germany. This market segment is an important building block in a functioning venture capital market and ensures that sufficient financing is available to innovative companies at all stages of their development."

visit britain

Have a royal time at Royal Ascot

The FINANCIAL

With 5 days of top quality racing, Royal Ascot is the pinnacle of the British horse racing calendar. As Britain's most valuable horse racing meeting, with millions of pounds of prize money for owners, it welcomes racehorses, jockeys and trainers from every corner of the globe.

Taking place at Ascot Racecourse in the heart of Berkshire, ideally situated in spectacular wooded countryside adjoining Windsor Great Park, the annual meeting in mid-June mixes sartorial elegance, with incredible heritage, gallantry and tradition. Royal Ascot is revered the world over and will take place from Tuesday 18 June until Saturday 22 June 2019.

30 races are spread across the 5 days of Royal Ascot, including 18 Group races, of which 8 are Group 1 – the highest level in racing. Having welcomed competitors from as far afield as Australia, Japan, the USA and the Middle East in the past, racegoers can expect to see the finest horses that the world has to offer.



Different enclosure options

For Royal Ascot, the racecourse is divided up into 4 enclosures, each with its own individual character, alongside a host of private boxes and hospitality offerings.

With its origins dating back to 1807, the Royal Enclosure was once a space exclusively reserved for the guests of King George III. It has maintained that exclusivity to this day, as membership is strictly by invitation only. It's here that visitors can expect to see top hats and coat tails, as well as the best of this season's designer fashion.

Taking pride of place at the epi-

centre of Royal Ascot is the Queen Anne Enclosure, named in honour of the racecourse's founding monarch. As well as unparalleled views of the racing from the raised terracing, this enclosure also hosts the Parade Ring and Winners' Enclosure, meaning visitors find themselves right at the heart of the action. As well as an array of dining options, it's also home to the Bandstand, where every day of racing culminates in a traditional sing-along.

In the centre of the racecourse, and with the Ascot Grandstand as the backdrop, is the Village Enclosure, providing a unique viewpoint on the racing and Royal Procession. Alongside boutique restaurants, al-fresco dining and a host of pop-up stalls, live DJs and bands perform into the early evening.

Alternatively, join the thousands of racegoers who want to be close to the rails in the Windsor Enclosure as the thoroughbred racehorses thunder past. Providing the first glimpses of

the Royal Procession as it progresses down the straight mile, including what colour hat the Queen is wearing, the enclosure is home to an abundance of artisan food stalls, while visitors can also take in a picnic provided it adheres to the racecourse's policy.

The Royal Procession

Before the racing on each day of Royal Ascot, the Queen and other accompanying members of the Royal Family arrive along the track in horse-drawn landaus, led by 4 spectacular Windsor Grey horses. This Royal Procession has signalled the start of the royal meeting since 1825, when King George IV led four other coaches with members of the Royal Family up the straight mile part of the course.

Getting to Royal Ascot

As well as being close to motorway links and Heathrow Airport, Ascot Racecourse is around a 50-minute train journey from London Waterloo or 30 minutes from Reading. Alternatively, the racecourse has partnered with Fresh Air Helicopters to provide a fast route into Royal Ascot. International visitors can also take advantage of Private Jet Charter from Victor to fly into private airport terminals at Farnborough, Luton, Oxford, Biggin Hill or Blackbushe, before then completing the journey to the course via helicopter.

Most Americans – especially Republicans – say local journalists shouldn't express views on local issues

The FINANCIAL – A majority of Americans believe local journalists should not express their views on local issues, but Republicans are considerably more likely than Democrats to feel this way, according to a new Pew Research Center survey that also finds substantial partisan differences over other aspects of local news reporting. Republicans more likely than Democrats to say local journalists should not express views on local issues. Overall, 61% of U.S. adults feel that local journalists should not share their views about local issues and events, compared with 36% who say they should, according to the survey, conducted Oct. 15-Nov. 8, 2018, among nearly 35,000 U.S. adults.

Republicans and GOP-leaning independents are more than twice as likely to say local journalists should not express their views (71%) as they are to say they should express their views on local issues (28%). Democrats and Democratic leaners are more evenly divided, with 54% saying local journalists should not express their views and 44% saying they should. The partisan divide on this question is similar to one found in an earlier Pew Research Center survey that asked whether the news media in general should present the facts with some interpretation, rather than without interpretation. Republicans give their local news media lower ratings than Democrats across several core job functions. Asked whether their local news media do a good job across seven core job functions, Republicans are substantially less likely than Democrats to offer positive assessments on three of these functions (even though majorities in both groups give their local news outlets positive marks on all seven functions). Republicans are 17 percentage points less likely than Democrats to say local news media do well at dealing fairly with all sides (53% of Republicans say this vs. 70% of Democrats). They are 14 points less likely than Democrats to say their local news media do a good job reporting news accurately (64% vs. 78%) and being transparent about their reporting (55% vs. 69%). Republicans give their local news media lower marks than Democrats on the remaining four core job functions as well – covering news thoroughly, keeping an eye on political leaders, providing news you use daily and including people like you in their stories – although the differences are smaller (between 6 and 9 percentage points). Republicans are also less confident than Democrats that their main local news source gets them the information they need, the new survey finds. About a quarter of Republicans (27%) say they are very confident in their main local news source, compared with about a third of Democrats (34%).

Mark Zuckerberg outlines ideas for new web regulations in WaPo op-ed

The FINANCIAL – Facebook CEO Mark Zuckerberg said Saturday that entities outside of Facebook should set the standards for the “distribution of harmful content” online and hold platforms like his accountable.

Why it matters: With these comments, along with other specific recommendations for regulation in the Washington Post op-ed, Zuckerberg is trying to shape the terms of the multi-front debate over its collection of user data and massive influence over information.

“One idea is for third-party bodies to set standards governing the distribution of harmful content and to measure companies against those standards. Regulation could set baselines for what's prohibited and require companies to build systems for keeping harmful content to a bare minimum.”

— Zuckerberg

Our thought bubble: When it comes to malicious or harmful content, Zuckerberg is making an unabashed pitch for industry self-regulation. He's implicitly presenting an alternative to slashing the law that shields Facebook and other web platforms from liability for user-generated content – a law they say is central to their business.



1. Harmful content: He said he agrees with lawmakers who say Facebook has too much power over speech and Facebook shouldn't be making free speech decisions on its own – but emphasized a self-regu-

lation regime.

He suggested every major internet service follow its lead in reporting how effectively they remove harmful content – “because it's just as important as financial reporting.”

2. Election integrity: Making judgements about political ads “isn't always straightforward,” he said. “Our systems would be more effective if regulation created common standards for verifying political actors.”

He also said legislation should be updated to deal with how campaigns use data and targeting.

3. Privacy: Zuckerberg called for a global privacy regulation in line with the EU's strict new privacy law, GDPR. Governments also need to create “clear rules” around new technologies like artificial intelligence.

Be smart: As a global company, Facebook already has to comply with GDPR. So Facebook would rather deal with a strict global standard than have to comply with a patchwork of rules from country to country.

4. Data portability: “If you share data with one service, you should be able to move it to another. This gives people choice and enables developers to innovate and compete.”

This is a proposal some lawmakers and privacy advocates have floated as a way to loosen Big Tech platform's grip on user's personal data.

financial news

Peter WIEBLER of USAID Georgia: “Georgian organizations can and will cope with challenges

Alexander KAFFKA, editor-in-chief of CJ: USAID planning to spend \$4-5 million in direct awards to Georgian civil society organizations sounds like an important piece of news, but we have found very little media coverage on it, so far. Perhaps USAID is not interested in wider dissemination of such information as a matter of policy?

Peter A. WIEBLER: I'm very pleased to have the opportunity to speak with you today.

Regarding the announcement of USAID's funding opportunity for \$4-5 million in grants to Georgian civil society organizations, this grant competition announcement represents a continuation of our longstanding election and political process (EPP) support, which the United States Agency for International Development (USAID) has been providing to Georgia since 1995.

We definitely wanted this funding opportunity to be widely disseminated, because we want to expand our base of local partners, and USAID's general policy is to award grants competitively. While the grants are part of a new “generation” of EPP programming, we did not want to create confusion by suggesting USAID support for EPP, or civil society, was a new initiative.

What is new is the scale of support. In this new iteration of programming, the size and share of funding set aside for Georgian civil society organizations (CSOs) has more than doubled. Across the globe, USAID is committed to supporting its partner countries on their Journey to Self-Reliance -- or, to put it another way, we want to help our partners develop the capability to solve their own development challenges. This means supporting local actors as they develop solutions to their country's development needs. Thus, this grant announcement is a reflection of our belief in the capacity of Georgian organizations to address local needs in the EPP sector.

Q: Thank you very much for good wishes to Caucasian Journal! After last year's presidential election, even the outgoing president himself expressed concern about a “sharp drop of the democratic standards” during the runoff. Following the election, USAID quoted the OSCE that “one side enjoyed an undue advantage” due to the misuse of administrative resources. This is a very serious challenge to civil society. Do you think Georgian organizations can cope with it, even with generous USAID support?

PW: Yes, we do believe Georgian organizations can and will cope with these challenges. Following the presidential election, there has undoubtedly been a very important conversation taking place within Georgian



ALEXANDER KAFFKA, editor-in-chief of CJ

civil society, as well as within the Georgian government and the society as a whole, about the trajectory of Georgia's democratic development. Let's remind ourselves: that conversation is a good thing. There are plenty of countries where such public dialogue is unimaginable.

Political pluralism and a level playing field are essential to a healthy democracy. As we have often said, Parliament and the Georgian government should work together with civil society to address these concerns and create the conditions for competitive political processes. We urge the Georgian Parliament and others to consider and implement the election reforms recommended by the OSCE, domestic observer groups, and others, and to care for and protect Georgia's democratic development and reputation -- Georgia's greatest assets.

Q: My next question is related to the previous one. A strong civil society can face any challenge, but building a civil society is a long and complicated process. Are you aiming to help well-established organizations only, or offer any support for new initiatives as well?

PW: That is a very important question. USAID is committed to expanding its partner base to organizations, including social and citizen movements, beyond what one may consider well-established or traditional civil society groups. In fact, USAID has a program entirely committed to building the capacity of formative civil society organizations, particularly those outside Tbilisi, to mobilize their communities, address community needs and engage elected officials in policy discussions at all levels of government. This program is meant to prepare organizations to foster a “new generation” of well-established civil society organizations (CSO).

A number of Georgian election and political process watchdog organizations have proven their ability to operate at a very high level. Donors, including USAID and many others,

have recognized the importance of these independent institutions with technical and financial support. Their, and others', continued efforts are critical to helping ensure the transparency and credibility of Georgia's electoral and political affairs.

USAID also recognizes the value of new, additional voices in this space as a means to strengthen Georgia's civil society. I hope we see other, dynamic organizations come forward with terrific ideas and energy. For this reason, USAID is prioritizing more resources for civil society as a means of supporting Georgia's civil society on the country's journey to self-reliance.

Q: Let's get back to your Elections and Political Processes project. It is a long-term program planned for 2019-2023. If you would like to tell us more about your overall vision of it, or any specific details, the floor is yours.

PW: We conducted a great deal of analysis and outreach. At the end, we recognized the need for Georgian politics to be more responsive to the interests of regular people. For years, the principal beneficiaries of EPP programming have been political parties and the bodies administering Georgia's elections.

In our new project, USAID wants to engage ordinary citizens as our main beneficiaries, by assisting political parties to transform to be more constituent-oriented. This also means equipping citizens and community and issue groups with the tools -- including most importantly, information and knowledge -- that they need to more effectively engage political parties and demand better representation. The project also aims to support reform and oversight efforts needed to level the electoral playing field, so that elections are free and fair competitions about policy agendas and values which reflect the needs and aspirations of Georgians. In this context, we are also seeking to increase the participation and representation of politically underrepresented groups, such as women, youth, minorities, and

persons with disabilities.

Q: According to your program description, you focus on “absent or inadequate conditions for political pluralism in Georgian society” and “Georgia's weak political parties, unengaged electorate, uneven electoral playing field, and lack of inclusion of under-represented groups including women, youth, minorities...” This is a huge agenda.

PW: In preparation for the new project design, USAID conducted numerous assessments to examine all facets of the EPP sector. We also drew upon a number of reports and studies from others, including international organizations and independent experts. As a result, we see the main problems as those you just mentioned. Other partners of Georgia have noted these problems as well.

While we recognize that tackling these problems is a huge agenda, we believe these are the main political process barriers to further consolidating Georgia's democracy. And as Georgia's ally and development partner, the United States Government is committed to helping Georgia to overcome these challenges.

It is important to note, however, that the civil society grants represent just one component of USAID's new EPP project. The CSOs supported under this initiative will work together with longstanding international partners of USAID, including the International Foundation for Electoral Systems (IFES), International Republican Institute (IRI), and National Democratic Institute (NDI). It will take time to address these challenges. Over the next four years, USAID aims to build the capacity of Georgian stakeholders to recognize and address the challenges themselves.

AK: I assume you are receiving a large number of applications from organizations that feel dissatisfied, especially given rather emotional wording used in your program description. Also, you are planning to award \$4-5 million in a fairly

small number of grants, so each grantee would get a very considerable budget. How would you characterize the overall quality of applications received?

PW: The wording in the funding announcement was informed by extensive outreach and analysis. We describe, for example, the substantial progress Georgia has made on many fronts, including for example electoral administration.

Our procurement process is based on the principle of fair competition, which means we have very strict rules in place to ensure that grants are awarded based on pre-defined, objective criteria and quality measures. One of those rules governing the process is that only the application review team gets to see the applications. For that reason, I am afraid I cannot speak to the quality of any application received. As I said earlier, based on past experience and broad program objectives, we expect to receive many, high-quality proposals from a wide variety of Georgian organizations.

AK: Is there anything you want to say to the current and future applicants for USAID's grants?

PW: USAID is a learning organization. We hope our applicants will think creatively about solutions to the challenges facing Georgia. We are looking for new, innovative programs that build self-reliance. We encourage our applicants to take measured risks and try new approaches -- including, for example, possible new partnerships and engagement with the private sector. We also want to know, how will our applicants measure, evaluate, and learn from successes and failures? Today's crazy new idea in Georgia may be exactly the innovative solution that can be adapted and successful in Zambia.

AK: Do you think the whole pattern of new organizations formation and their operation needs attention?

PW: Each year, USAID releases a Civil Society Sustainability Index. This index reveals that Georgia performs well in most categories of civil society organization sustainability. Further, Georgia's Journey to Self-Reliance Country Roadmap indicates that Georgian civil society and media effectiveness is excellent, with a score of .91 on a scale from 0-1. This is the highest score Georgia received on the roadmap. However, recent trends of government-led verbal attacks on civil society organizations and leaders is a concern, and we are watching that space closely. Overall, the environment for charitable donations is favorable; however, weak public awareness of and confidence in civil society's contributions is a challenge. It would be great to see more positive leadership in developing local Georgian philanthropy. It would also be terrific to see more strong organizations and activists developing in the regions.

Q: Speaking about favorable conditions for civil society formation, I wanted to touch upon the role of mass media. Is there a place for mass media in the complicated structure of the Elections and Political Processes project?

PW: Democratic development is a constant and evolving process; there is still much work to be done in Georgia as there is anywhere.



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surveys & insights



Should Government See Everything on the Internet?

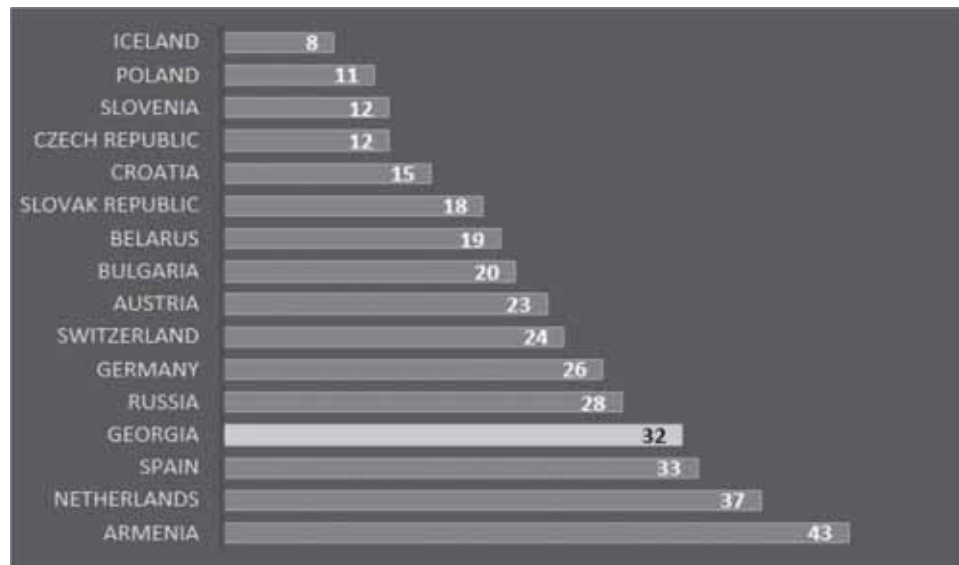
ANI LORTKIPANIDZE, GORBI

Social media companies possess a staggering amount of data on their users. This issue became even more pertinent last year, when we learned that information associated with 87 million Facebook users had been illegally accessed by Cambridge Analytica, a political consulting firm based in the UK. Monitoring information on the internet can also be a double-edged sword, with public safety on one side and the risk of invasion of privacy on the other.

What do people from different European countries think about this issue? Should government have the right to monitor all information exchanged on the internet? Luckily The European Values Study (EVS), a large multinational survey research program that has been studying basic human values for almost 40 years, has asked this question. GORBI has been part of the project since 2008 and is the data provider for Georgia and Azerbaijan for the most recent year. It is noteworthy that Georgia is one of the countries most wary of government online surveillance among those studied by the European Values Survey.

As we can see from the Graph 1, in none of the surveyed countries does the majority of the population agree with the idea that government should have the right to monitor all information on the in-

Graph1. Government should have right to monitor all information exchanged on the internet (agree, %)



Source: European Value Study, 2017-2018

ternet. It appears from these results that people value their privacy more than their potential security.

This is despite the fact that there are real world cases where internet monitoring by government could prevent atrocities. For example, before emplacing bombs in New York and New Jersey in 2016, Ahmad Khan Rahami bought bomb-making materials on EBay through his public social media account. Had the government been aware of these transactions and their electronic trail, it might have prevented these attacks. On

the other hand, some experts such as Steve Rambam, a private investigator specializing in Internet privacy cases, believe that privacy no longer exists; saying, "Privacy is dead – get over it".

A majority of the population in the surveyed countries seem to share Mr. Rambam's opinion and still think that government should not have this right. This could be because they either believe that Internet monitoring would not be effective in deterring crime, or that their right to personal privacy is worth sacrificing some potential secu-

urity to maintain.

Only 32% of Georgians agree that government should have right to monitor all information exchanged on the internet, which makes Georgia quite skeptical country regarding internet surveillance.

It is interesting that Iceland, a country that finds itself at the top of the list of skeptical countries, has near universal access to the internet, with 99% of households online. Georgia, near the bottom of this list, only has 64% of its population online, according to recent nationwide studies conducted by GORBI.

Could it be that the more people have access to the internet, the more they believe that information exchanged on the internet should not be monitored by the government?

In addition, the motivation for those 32% of Georgians who approve of government internet surveillance, can be explained by an urge for security. Georgia finds itself in a very difficult geopolitical position. It is surrounded by neighbors, from which the threat of terrorist and military aggression is very real.

Only 26% of those aged 15-24 in Georgia say that government should have the right to monitor all information exchanged over internet, while 41% of those aged 65 and more agree. This is especially true for Georgians old enough to remember the several conflicts that took place in Georgian territory after the collapse of the Soviet Union. This risk might be perceived more acutely in the older generation because they have experienced such attacks personally. In addition, older people think more about not only their personal safety but also about the safety of their children and grandchildren. This reasoning may be applicable not only to Georgia, but might also be characteristic of other countries as well.

Another underlying reason for this could be that in Georgia the older population is not as active online as the younger population, and therefore

feel less threatened if government monitors online information since they have little information about themselves on the internet. According to one of the nationwide surveys conducted by GORBI in late 2018, 89% of those aged 18-24 have access to internet, compared to only 39% of population aged 55+. Therefore it is more logical that people who use the internet more often have more reservations regarding government monitoring all of the information exchanged through the internet.

Monitoring information exchanged over the internet can also influence the outcome of elections in the digital age. For example, Cambridge Analytica, the UK-based political consulting firm which worked with Donald Trump's election team, harvested millions of Facebook profiles of US voters. It then used modern data science to analyze this data and predict and influence choices at the ballot box. How long will it be before these big data tactics are used in Georgia?

GORBI is an exclusive member of the Gallup International research network and has more than two decades of experience in survey research (gorbi.com)



No-deal Brexit could affect value chains in the EBRD regions

The FINANCIAL

Newly published EBRD research finds that a significant proportion of value chains within the 12 EU countries where the Bank operates, and also in Turkey could be affected in an event of an exit of the United Kingdom from the EU with no deal.

Newly published EBRD research finds that a significant proportion of value chains within the 12 EU countries where the Bank operates, and also in Turkey as a member of the EU Customs Union, could be affected in an event of an exit of the United Kingdom from the European Union with no deal.

A no-deal Brexit could have extensive effects, not only on direct trade between Turkey, the EBRD countries in the EU and the United Kingdom, but also on indirect exports through value chain integration within the European Union.

An example of such a value chain would be car parts exported from the Slovak Republic to Germany, assembled there and then exported as a final product to the UK.

EBRD economists' analysis based on the "Trade in Value



EBRD COUNTRIES COULD FACE MODEST VALUE CHAINS DISRUPTIONS; POLAND AND TURKEY MOST VULNERABLE

Added' (2018) OECD database shows that in the case of the UK leaving the EU under a no-deal scenario, 6.8 per

cent of the EBRD countries' domestic value-added exports would be affected by potential disruptions to direct and in-

direct trade linkages with the UK.

The share would be even higher for Cyprus, Turkey and

6.8 PER CENT (US\$ 39.4 BILLION) OF EBRD COUNTRIES' DOMESTIC VALUE-ADDED EXPORTS COULD BE AFFECTED

Poland, for which the British market accounts for 7.9 - 9.1 per cent of total export volume.

In absolute terms, both Turkey and Poland would face the highest exposure to trade disruptions with domestic value-added exports of around US\$ 12 billion being directly and indirectly exported to the UK in 2015 (Chart 1).

Furthermore, the affected trade volume amounts, on average, to 0.9 per cent of total output of the EBRD countries in 2015, whereas the share is higher for countries such as Cyprus (1.9 per cent), Lithuania (1.3 per cent), Hungary (1.3 per cent) and Poland (1.2 per cent).

The 12 EBRD countries that are part of the EU, plus Turkey could also face modest value chain disruptions in certain economic sector exports in the event of a no-deal

Brexit, as various trade barriers would evolve and disrupt supply links between industries in the UK and the EU.

In absolute terms, the EBRD countries have a higher exposure to trade disruptions in value chain linkages with the UK than vice versa. US\$ 7.5 billion of British inputs, mostly business services, were used as inputs in the production process of manufacturing exports of the EBRD countries in 2015.

The UK also relies on foreign inputs for exports, but sourced only US\$ 4.8 billion of foreign inputs from EBRD countries in 2015, much of it for the UK's transport industry.

Global value chains data for this study was collected by EBRD economists in the context of diagnostic analysis for the EBRD Value Chain Competitiveness Programme, supported by the EU.

First 'Golden key' in Georgia

Radisson Blu Iveria Tbilisi's Concierge - Otar Bakhtadze was honoured with a First Golden key in Georgia.

"Les Clefs d'Or" 2019 Annual Meeting was held this March in Sochi

"Les Clefs d'Or" – a prestigious union that brings together the most dedicated and skilful concierges from all over the world following the motto - Service through friendship. This year candidates from 60 hotels took part in annual contest presenting creative projects. Ten of them were honoured with a Golden Key. Otar has presented a very interesting project named "Path Sakartvelo" - A puzzle with a

Georgian Map.

"Georgia is a very small country, unique with the variety of cultural. Our country attracts tourists from all over the world and offers them unforgettable experience. Considering this, I decided to make a project of a Georgian map puzzle. Unique experience to feel yourself like a local Georgian. This is not just a simple puzzle, but it is a product consisting of 12 pieces – eleven of them are regions and the twelfth piece is Tbilisi, the capital of Georgia. With each puzzle you insert you can see how closer you are to the goal! And here you are, Georgia on the palm of your hand." - explains Otar

To make his project more interesting and attractive, Otar decided to connect it with the booking of tour for the guests. In order to make the tour unique, guest will be required to perform the quest that is relevant to Georgian culture, capture it on a photo and show to the concierge. In return, the guest will receive the puzzle "Path Sakartvelo" as a gift.



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Net-Metering: A Realistic Green Solution to the Generation-Consumption Deficit?

Continued from p. 2

der to increase the number of consumers opting for net-metering and to popularize renewable energy sources, in March 2019, GNERC introduced a new regulation regarding net-metering. The aim of this regulation is to incentivize consumer groups to invest in renewable energy sources,¹ such as solar, wind, and water (including waste water) power for personal consumption and, consequently, reduce electricity expenditure. Such changes enable consumer groups to utilize the electricity generated by a single renewable micro-power plant free of charge and deliver any excess electricity to the distribution network.² Consumer groups have the opportunity to obtain credits for the excess electricity generated and then either chose to consume or resell the credits. There has also been a change to the connection of the distribution network: if the connection is breached, the connection fee will be halved. Moreover, consumer groups can now acquire temporary ownership of micro generation power plants, on the basis of tenancy, lease and/or further contract, in order to make the initiative more affordable.

The key potential benefits

of the policy are associated with reduced pressure for demand from the residential sector. Such benefits are developed from increased self-sufficiency and a contribution from the sector to the country's energy balances (and energy security) in the form of excess residential electricity production. Therefore, if micro-plants are implemented to a significant degree among residential consumers, Georgia will have the opportunity to reduce its dependence on TPPs and foreign electricity imports. Moreover, if micro-plants are implemented near consumption sources additional transmission losses can be avoided and total electricity system losses can be reduced. Finally, the regulation considers the additional environmental benefits associated with the introduction of green energy sources in the place of environmentally damaging alternatives such as TPPs.

Not all renewable resources offer the same potential in closing the consumption-generation gap. In Georgia, WPPs seem more likely to fill the gap left by the seasonal performance of HPPs, as wind patterns do not coincide with precipitation patterns, while SPP generation typically coincides with that of HPPs. In some specific cases, however, such as dur-

ing unusually dry periods of the year, HPPs generation decreases due to a lack of precipitation (as in August 2018), thus SPPs can complement HPP generation. In notably sunny years, generation can be provided by SPPs, whereas HPPs can satisfy most of the local demand during rainy years.

Despite current opportunities, the readiness of the electricity grid system to integrate renewable energy sources, with their fluctuating and less predictable electricity generation patterns, remains a potentially limiting factor to the success of the initiative. Another factor is the risk behind such projects, due to the variable nature of renewable energy sources, although this unpredictability can be lessened by adopting hybrid micro-power plants (wind alongside solar, HPPs alongside solar, etc.)

The regions potentially able to benefit from different renewable energy sources can be identified by looking at climatic, hydro-geological and atmospheric patterns. For instance, micro-hydro power plants may be an option for villages in the western part of Georgia, as the West has more abundant water resources than the East.³ The regions of Kakheti, Samtskhe-Javakheti, Kvemo and Shida Kartli all

have the potential to develop solar power generation, while Imereti, Kvemo and Shida Kartli may benefit the most from wind power generation.⁴ In Tbilisi and other densely populated cities, solar panels may be best suited over other renewable energy sources due to the limited space for alternatives (WPPs, HPPs) and the adverse effects of noise pollution.

The potential benefits for consumers would be reflected in a reduced dependence on the current electricity system and less uncertainty in terms of future tariff fluctuations. However, the consumer adoption rate of net-metering is still uncertain, despite the new options introduced by the reform (leasing, tenancy etc.), due to the high investment costs and the fact that it is often still perceived by subscribers as a risky investment. The rate of adoption depends greatly on the real costs and benefits of the projects, which seemingly cannot be assessed without proper economic knowledge. Subsequently, the residential sector might require more evidence-based support in favor of net-metering, rather than just noting the introduction of changes in the net-metering system, the inclusion of a wider range of beneficiaries, and verbal confirmation of projects' profitability. In addition,

several important challenges might arise from the division of property rights on community owned micro-plants. According to GNERC, the electricity generated by shared solar micro-plants in multistory buildings could be used for common maintenance, such as for elevators and building lighting, while excess electricity could be divided among households on the basis of private agreements. While in the absence of household cooperation, excess electricity could be divided equally within buildings. These arrangements would require the extension of responsibilities for homeowners' associations (HOAs) in order to provide maintenance for the micro-power plants, while the representatives of distribution companies would oversee the metering process.

This reform will also have a substantial impact on the distribution companies (Energo-Pro and Telasi) and their subscribers. The combined market shares of these two distribution companies has always amounted to more than 50% of the country's total electricity consumption, reaching 70% of total consumption in 2018. Ideally, during peak hours, the two companies will be able to reduce pressure by partly decreasing consumption on the system and providing the

excess electricity to the grid from the residential sector.

Ultimately, the success of the net-metering initiative will depend on:

the economic profitability of net-metering projects for households

the success of how well the potential benefits are communicated

the willingness of residents to participate in community projects

the readiness of the grid system to integrate renewable energy sources characterized by a variable output

Therefore, despite its undeniable potential as a green and clean solution to the generation-consumption deficit, it is still too early to gauge when net-metering is really going to take off.

1 Consumer groups include apartment owners' associations, districts, settlements and villages.

2 The installed capacity does not exceed 100 MW.

3 Approximately 70% of rivers are concentrated in Western Georgia, with the remaining 30% in the East. While, annual river flows amount to 49.8 km³ in the West and 16.5 km³ in the East.

4 It is possible to discern the best locations by inspecting the future investment projects listed by the Ministry of Energy in 2017.

FactCheck



Nika Melia:

PM



STATEMENT:

"UNDER THE GEORGIAN DREAM'S RULE, PRICES ON MEDICATION INCREASED BY 60%, ON HEALTHCARE BY 37%, ON UTILITIES BY 17% AND ON FOOD BY 20%."

VERDICT:

FACTCHECK CONCLUDES THAT NIKA MELIA'S STATEMENT IS TRUE.

Teona ABSANDZE
FactCheck

RESUME:

In accordance with the National Statistics Office of Georgia's data, in the past six years (in January 2019 as compared to January 2013), the inflation level reached 22%. In the same period, prices on medication and therapeutic instruments increased by 67.8%. The level of inflation in healthcare reached 36.8%. In the past six years, utility expenses increased by 26.1% which is largely related to the increased tariffs on natural gas and electricity. Prices on electricity, natural gas and in the sub-groups of other means of heating increased by 15.2%. In 2013-2018, prices on food and non-alcoholic beverages increased by 25.5%. As we see, inflation levels on certain groups of items are higher as compared to Nika Melia's figures.

ANALYSIS

United National Movement MP, Nika Melia, on air on the talk show, *Pirispir*, stated: "In the past years, prices on medication increased by 60%, on healthcare by 37%, on utilities by 17% and on food

by 20%."

In his interview with **FactCheck**, Nika Melia clarified that he had referred to the period under the Georgian Dream's rule; that is, the past six years. The MP also specified that he had compared 2013 January data to that of 2019 January.

The Consumer Price Index (inflation) shows the changes in prices on goods and services. The CPI includes 12 product groups. It is possible to have the total inflation level within the margins of the targeted figure but also have significant growth or/and a decrease of prices on certain product groups.

Keeping the inflation level at 0% is not envisioned as part of the efforts to ensure the stability of prices. The National Bank of Georgia defines the targeted inflation level which reflects such a level of price changes which is the most appropriate for the current stage of economic development.

In 2013-2018 the annual inflation level was mostly within the margins of the targeted inflation level. The only exception was 2017 when the inflation level hit 6.7% which was largely stipulated by the one-off factor; that is, an increased excise tax rate.

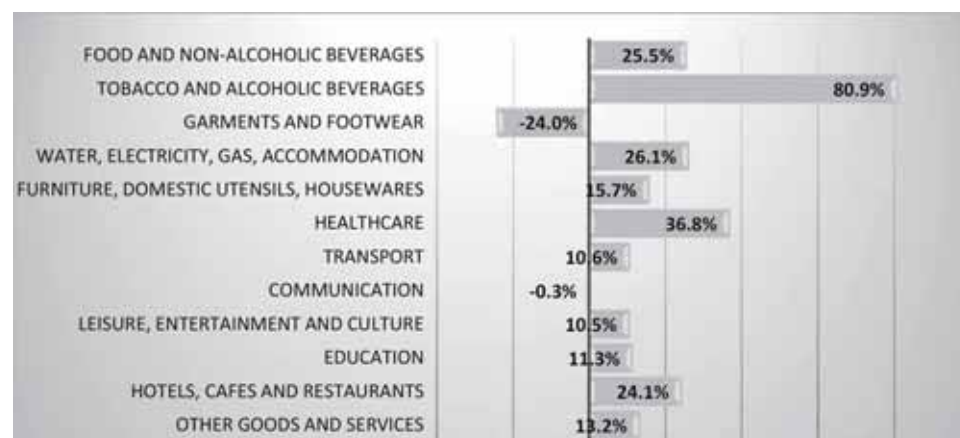
In accordance with the

National Statistics Office of Georgia's data,¹ the inflation level in January 2019 increased by 22% as compared to January 2013. In this period, the inflation level in the healthcare group (medical products, ambulance services, hospital services) reached 36.8%. Prices on medical products – medications and therapeutic instruments – increased by 67.8%. In the past six years, domestic utility expenses increased by 26.1% which is largely related to the increased tariffs on natural gas and electricity. Prices on electricity, natural gas and other means of heating increased by 15.2%. In 2013-2018, prices on food and non-alcoholic beverages increased by 25.5%. These figures do not fully match with Nika Melia's numbers and, in most cases, the actual inflation level is even higher.

Of note is that in the past six years, prices increased the most – by 81% – on tobacco and alcoholic beverages. In the same period prices on garments and footwear decreased by 24%.

¹ The inflation level is measured by the personal inflation calculator which is available on the website of the National Statistics Office of Georgia.

Graph 1: Price Changes in the past Six Years (January 2019 as Compared to January 2013)



Source: National Statistics Office of Georgia

Mounting pressure beginning to drive progress for women in senior leadership



The FINANCIAL – The percentage of businesses globally with at least one woman in senior management has risen to 87%, an increase of 12% in the last year, according to the latest Women in Business research from Grant Thornton International.

Overall, women now hold 29% of senior leadership positions globally. While this is only up 10% over the past 15 years of research, half this increase (5%) has been achieved in the last 12 months alone.

Francesca Lagerberg, global leader, Grant Thornton International says: "These figures are incredibly encouraging and a strong indication that gender parity is starting to be taken seriously by businesses. External factors such

as increasing organisational transparency, gender pay gap reporting and highly visible public dialogue like the #MeToo movement appear to be making businesses wake up to the change that is needed."

While the number of women in senior leadership is increasing, gender parity at the head of the table is still a significant way off. When it comes to the role of CEO or managing director, only 15% of businesses globally have a woman leading the business.

Francesca Lagerberg says: "Despite the strong business case in favour of gender diversity, change at the top has been slow until now. Hopefully, the sharp increase in the representation of women in senior leadership we're seeing

this year is not purely a knee-jerk reaction to the current social climate and we'll see similar progress in the coming years.

"If we want to continue seeing female representation trend upwards in senior positions, more deliberate action needs to be taken and leaders will play a critical role. Policies that address equal opportunity in career development, bias in recruitment and flexible working can't just be a nice to have. To achieve meaningful progress, they must be adhered to, enforced and regularly revisited to assess their effectiveness and when that is combined with real commitment from senior leadership, you begin creating a truly inclusive culture."

Germans Invented Daylight Saving Time—Now They're Going to Kill It

Is Daylight Saving Time annoying? Millions of Germans say, ja.

The notoriously time-conscious nation is behind a new initiative from the European Parliament to end the practice of pushing clocks forward by one hour in the spring (which will occur this Sunday in Europe), and back by one hour in the fall.

On Tuesday, the Parliament voted in favor of stopping the practice by 2021, following a poll last year from the EU in which 84% of the respondents voted in favor of reverting to one time year-round. The law must now be passed by national governments.

The debate isn't just limited to Europe. Earlier this month, U.S. President Donald Trump endorsed ending the changing of the clocks in a tweet.

European Commission President Jean-Claude Juncker is a force behind the movement, having vowed to back the end of Daylight Saving Time in September last year, after the results of the poll were

released. The survey proved it was the will of the people, he declared; "Clock-changing must stop."

But in reality, it was mostly just the will of the Germans.

Out of 4.6 million respondents to the poll, 3 million were German. (The country accounts for about one-sixth of the EU's total population.)

But it is fitting that Germany should have a starring role in the death of Daylight Saving Time (DST), or as it's known in Germany, *sommerzeit* (literally, 'summer time'). After all, it gave birth to the practice in the spring of 1916.

At Germany's national metrology institute, known as the Physikalisch-Technische Bundesanstalt, or PTB, the law is unlikely to cause much technical hassle. The institute is responsible for distributing the country's so-called "legal time"—including on the two days a year when the clocks change.

"We got the same questions from our ministry: Doesn't [eliminating DST] save us a lot of work?" said Dr. Andreas Bausch, head of

Dissemination of Time at the institute. "This saves nothing. Fifteen minutes."

From a personal perspective, the gains are even less clear. Bausch himself responded to the EU's poll, after his daughter told him about it. He would prefer to keep the system exactly as it is, he said, noting that the loss of DST would mean one less hour of sunlight during the dark winter evenings.

As for the unpopularity of *sommerzeit* in Germany, he proposed a concise theory.

For many people, he said, "complaining is an extremely important part of life."

In the U.K., meanwhile, Daylight Saving Time's German origins have largely gone unnoticed in favor of an even more obvious opponent: the EU as a whole.

"We've long been aware the EU wants too much control over our lives," John Flack, a Conservative MP said in the *Guardian* after the vote was passed. "Now they want to control time itself."

Rad full available in FORTUNE.

Georgia in U.S. Narcotics Control Strategy Report

Georgia is vulnerable to transnational drug trafficking and drug trafficking-related money laundering, according to the U.S. Department of State's International Narcotics Control Strategy Report. The two-volume, Congressionally-mandated report, released by the Department of State on March 28, covers the developments of 2018 and provides an overview of drug control and anti-money laundering efforts undertaken by several dozen countries across the world, including Georgia. According to the report section on Georgia, the country's "location along traditional smuggling routes in the Caucasus leaves it vulnerable to

transnational criminal organizations that continue to traffic opium, heroin, and the main precursor chemical used to produce heroin, acetic anhydride." The report also said the Georgian government and non-governmental organizations "report substantial drug and substance abuse challenges with an estimated 50,000 illicit drug users in the country," with synthetic and club drugs remaining the most popular drugs. It also said drug seizures in Georgia have declined since 2016. "The Government of Georgia actively cooperates with a wide range of actors to combat drug trafficking and consumption and to develop comprehensive responses to drug dependency," the State

Department also noted, adding that the U.S. will continue to support Georgia in its efforts against illicit drug use and trafficking. The report referred to drug-related money laundering as well, saying "because Georgia is located in a significant and well-established trafficking corridor, bulk cash smuggling and money laundering are highly likely." The document also said there is little hard evidence to suggest that "a significant volume of illegal narcotics proceeds is laundered through the formal financial system," but suggested more governmental efforts on pursuing links between organized crime and money laundering.

Civil.Georgia

Government deficit at its lowest level in France since 2006



The FINANCIAL

France's economic indicators are on the right track, said France Government. Government deficit is at its lowest since 2006, economic growth is up and government spending and statutory contributions are down: the latest estimations by the National Institute of Statistics and Economic Studies (INSEE) show that France's economic indicators are on the right track. Government deficit, i.e. the gap between government revenue and expenditure, is at its lowest level since 2006: it is down from 2.8% in 2017 to 2.5% in 2018. This is the first time in ten years that France has remained below Europe's 3% deficit limit for two years running.

Economic Growth is up

Activity has increased 1.6% in France, compared with INSEE's initial forecast of 1.7% growth. This has been driven by: The vibrancy of French citizens' spending power, which gained significant traction in the 4th quarter (+1.1%) thanks to Government-led measures – not least the second phase of council tax cuts and scrapping of employee contributions. In addition to this come the emergency economic and social measures that the President of the Republic announced in December. This is the second year in a row that French citizens' spending power has increased to such an extent (+1.4% in 2017 and +1.0% in

2018). Buoyant business investment, which grew by +3.9%. Thriving exports, which have progressed by 3.3%, i.e. at twice the pace of imports (+1.6%). Government Spending and Statutory Contributions are Down Sound control of government spending has brought this down from 56.4% of GDP in 2017 to 56% of GDP in 2018. As such, statutory contributions have fallen by 0.2 GDP points and government debt is stable for the first time since 2007.

Copyright: Europe defends its creators

The FINANCIAL

On 27 March 2019, the European Parliament adopted the Copyright Directive. This is a major step forward for Europe, France, artists, journalists and European citizens, France government announced. This Directive is crucial for defending our cultural model. As digital technology has infiltrated our lives and consumption of online content has surged, copyright has come under threat, with

some businesses freely exploiting content that has been created by others. Amid these new challenges, the Directive's adoption represents an ambitious and fair response given Europe's social and cultural model. The Directive contains 3 fundamental breakthroughs: 1. The introduction of a similar right to copyright for press agencies and publishers (Art. 11). This provision will ensure better remuneration during the online reproduction of their articles; 2. Greater accountability on the part of platforms to ensure

more effective sharing of the value associated with the online dissemination of works, for the benefit of creators; 3. Establishment of a right to fair and proportional remuneration for creators. It should be clarified that in no way is this a question of empowering platforms to censor online content. Users will remain completely free to publish the content they create, such as the hugely popular "GIFs" and "memes" on social media for example. The Directive will be transposed swiftly into French law.



Beka Natsvlishvili:



STATEMENT:

"WE ARE NOT A POOR COUNTRY. WE ARE THE MOST UNEQUAL COUNTRY. OUR COUNTRY HAS ONE OF THE LARGEST GAPS BETWEEN RICH AND POOR."

VERDICT:

FACTCHECK CONCLUDES THAT BEKA NATSVLISHVILI'S STATEMENT IS MOSTLY FALSE.

Vakhtang DEMURIA
FactChek

RESUME:

The context of Beka Natsvlishvili's statement can be understood as follows: "Georgia is not a poor country but high incomes are not distributed among the population and go to a small group of rich people."

A country's poverty is a relative category and there is no universal system which would categorise different countries into those poor and rich. However, in accordance with the World Bank's methodology, Georgia is pooled with the lower-middle income group countries with nations such as India, Pakistan, Vietnam, Mongolia, Uzbekistan, etc. Therefore, we can conclude that the part of Beka Natsvlishvili's statement, where he does not consider Georgia to be a poor country, is inaccurate.

The Gini Coefficient is used to measure income inequality. The Gini Coefficient fluctuates from 0 to 1 where 0 is the most equal and 1 is unequal. For instance, if a country's population is 1,000 persons and everyone has exactly the same income, the Gini Coefficient will be 0 whilst if only one person has an income, the Gini Coefficient becomes 1; that is, 100%. The Gini Coefficient fluctuates from 0 to 1 whilst as an index it is given in percentage figures; that is, multiplied by 100. For instance, the corresponding Gini Index to Georgia's 0.405 Gini Coefficient is 40.5%.

It is possible to compare different countries in terms of the Gini Coefficient which is one of the ranking components in the World Bank's Inclusive Development Index. There are 106 countries in the aforementioned ranking. In accordance with the Gini Index, Georgia is ranked 33rd of 106 countries in terms of inequality with a 40.5 index figure for income inequality. The top five countries are as follows: South Africa (57.7), Namibia (55), Sri Lanka (51.4), China (51) and Zambia (49). Therefore, Beka Natsvlishvili's assertion that the income redistribution inequality is extremely high in Georgia and that the country has one of the highest inequality figures in the world does not corre-

spond to the truth. However, Georgia's inequality figure is objectively high, especially in the group of Europe and Central Asia countries where we belong. In accordance with the available data, only Russia has a higher distribution of inequality in the region than Georgia. The MP's statement would have been more correct if he had referred to the region only.

ANALYSIS

On 19 March 2019, Beka Natsvlishvili, who is currently an independent MP of the Parliament of Georgia, stated in his speech: "We are not a poor country, we are the most unequal country. The gap between income groups and the gap between rich and poor is one of the highest in our country."

FactCheck took interest in the accuracy of Beka Natsvlishvili's statement. The context of the statement could be understood as follows: "Georgia is not a poor country, but there are high incomes which are not distributed among the population and go to a small group of rich people."

It is necessary to define to what extent it is possible to call Georgia a poor country and how extreme the inequality of income distribution among the population is. A country's poverty is more or less a relative category and there is no universal system which could categorise countries as poor or rich. In this analysis, it is appropriate to use the World Bank's categorisation which is given in Table 1. According to this methodology, Georgia is pooled in the lower-middle income country group because the GNI per capita was USD 3,780 in 2017. Of note is that the group also includes such countries as India, Djibouti, Pakistan, Bangladesh, Zambia, Vietnam, Mongolia, Uzbekistan, etc. Therefore, we can conclude that the part of the MP's statement, where he does not consider Georgia as a poor country, is inaccurate.

The National Statistics Office of Georgia publishes absolute and relative poverty figures. Absolute poverty shows what part of the population lives below the subsistence minimum. As of 2017, 22.9% of Georgia's population lives below the **absolute poverty** line. **Relative poverty** shows the adequacy of the population's incomes to its expenses.

Persons who consume less than 60% of the median (average) consumption are regarded as poor. As of 2017, 22.3% of Georgia's population consumes less than 60% of the median consumption. In accordance with UNICEF's latest data published in 2017, 5% of the population lived in **extreme poverty**.

The so called Gini Coefficient is used to measure income inequality. The Gini Coefficient fluctuates from 0 to 1 where 0 is the most equal and 1 (or 100) is unequal. For instance, if a country's population hypothetically is 1,000 persons and everyone has exactly the same income, the Gini Coefficient will be 0 whilst if only one person has an income, the Gini Coefficient becomes 1; that is, 100%.

It is possible to compare different countries in terms of the Gini Coefficient which is one of the ranking components in the World Bank's Inclusive Development Index. There are 106 countries in the aforementioned ranking. In accordance with the Gini Index, Georgia is ranked 33rd of 106 countries in terms of inequality with a 40.5 index figure for income inequality. The top five countries are as follows: South Africa (57.7), Namibia (55), Sri Lanka (51.4), China (51) and Zambia (49). Therefore, Beka Natsvlishvili's assertion that income redistribution inequality is extremely high in Georgia and that there is one of the highest inequality figures in the country does not correspond to the truth. However, Georgia's inequality figure is objectively high, especially in the group of Europe and Central Asia countries where we belong. In accordance with the available data, only Russia has a higher distribution inequality in the region than Georgia. The MP's statement would have been more correct if he had referred to the region only.

Given the context, Beka Natsvlishvili's statement does contain elements of truth in terms of the unequal distribution part but in its entirety, the statement is inaccurate.

1 Gross National Income (GNI) is the total sum of income earned by residents in a country's economic territory as well as net receipts from abroad and net revenues from property. The GNI calculation is based on the Atlas Method.

Table 1: Country Categorisation in Terms of Incomes

	GNI ¹ Per Capita/USD
Low Income	< 995
Lower-Middle Income	996 - 3,895
Upper-Middle Income	3,896 - 12,055
High Income	> 12,055

Source: World Bank methodology

publicity

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GLOSSY

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& DIANA KATOVASTREET
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GEORGIA

AT BORJOMI-LIKANI HOTEL

INTERVIEW WITH
SHALVA ALAVERDASH-
VILI, GM

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Ancient trash mounds and Byzantine collapse

The FINANCIAL

Archaeological evidence for the role of climate in the decline of the Byzantine Empire during the sixth and seventh centuries CE is sparse. Guy Bar-Oz et al. used ancient trash mounds to document urban decline in the Byzantine settlement of Elusa in the Negev Desert of the southern Levant.

The presence of organized large-scale trash disposal serves as a proxy for high-level urban functioning. Excavation and sediment analysis of four mounds surrounding the ancient settlement revealed that the mounds consisted largely of refuse from domestic fire installations and construction debris.

The authors recovered an abun-



dance of ceramic sherds from the Early and Middle Byzantine Periods, around 350–550 CE, and significantly fewer sherds from earlier or later periods.

Carbon dating of seeds and charcoal yielded no dates later than the mid-sixth century CE. The results suggest that organized trash disposal at Elusa ended and the decline of the settlement began around the mid-sixth century, approximately one century before the Islamic conquest ended Byzantine control over the region.

The end of organized trash removal coincides with other evidence for Byzantine urban upheaval, the beginning of the Late Antique Little Ice Age climate event, and the outbreak of the Plague of Justinian, suggesting a link between climate change and Byzantine decline, according to the authors.

The mean age of first marriage in 2018 equaled 27.7 years for females and 30.4 years for males

The FINANCIAL

The number of live births equaled 51 138 in 2018 (26 538 male and 24 600 female babies), registering a 4.0 percent decrease from the previous year. Compared to 2017, the sex ratio at birth remained unchanged – male births per 100 female births equaled 107.9.

In 2018 the largest number of live births was recorded in Tbilisi (16 161) while the smallest – in Racha-Lechkhumi and Kvemo Svaneti Region (328).

Compared to 2017, in 2018 the share of the first child in total births decreased from 38.9 percent to 37.9 percent. Consequently, the share of the third and next order child increased from 22.6 percent to 23.4 percent, while the share of the second child remaining almost unchanged.

Compared to 2017, in 2018 the share of births for women aged less than 25 declined from 32.7 percent to 31.1 percent, while increasing for women aged 25–39 (from 64.6 percent to 66.0 percent), and remaining almost unchanged for women aged 40 years and older.

The mean age of mothers at first birth equaled 25.6 years. In 2018 the number of deaths decreased by 2.7 percent in annual terms and totaled 46 524 persons.

Similarly to the birth statistics, the largest number of deaths was recorded in Tbilisi (12 122) while the smallest – in Racha-Lechkhumi and Kvemo Svaneti Region (656).

The number of infant deaths (child under 1 year of age) equaled 416 in 2018.

Accordingly, the infant mortality rate (per 1 000 live births) equaled 8.1 %, a 1.5 points decrease from the previous year.

Similarly, the under-5 mortality rate (per 1 000 live births) decreased by 1.4 points compared to the previous year and totaled 9.8%.

In 2018 the natural increase (the difference between the number of births and the number of deaths) equaled 4 614 decreasing by 15.7 percent year-on-year.

In 2018 negative natural increase was registered in Imereti, Samegrelo-Zemo Svaneti, Guria, Kakheti, Racha-Lechkhumi and Kvemo Svaneti, Mtskheta-Mtianeti, and Shida Kartli regions.

The number of registered marriages equaled 23 202 in 2018, showing a 2.0 percent decrease from the previous year.

The mean age of first marriage in 2018 equaled 27.7 years for females and 30.4 years for males.

The number of divorces equaled 10 288 increasing by 0.6 percent compared to the previous year.

Biodiversity changes in the Early Paleozoic Era

Marine biodiversity underwent large and abrupt changes during the Early Paleozoic Era. However, the temporal resolution of current Paleozoic biodiversity estimates is insufficient to attribute these changes to potential environmental causes. Christian Rasmussen et al. constructed a high-resolution reconstruction of genus-level biodiversity during the first 120

million years of the Paleozoic Era based on fossil occurrences from a paleobiology database.

The reconstruction exhibited two distinct bursts of biodiversity accumulation corresponding to the Cambrian Explosion and the Great Ordovician Biodiversification Event (GOBE), separated by 50 million years of slow accumulation. The rapid onset of the latter coincided with equatorial sea-surface tem-

peratures falling to present-day levels, suggesting that 470 million years ago, marine biodiversity required a narrow temperature window. Fifteen million years after the start the GOBE, diversity declined sharply in three successive phases corresponding to the end Ordovician mass extinctions, after which biodiversity did not rebound for tens of millions of years. The mass extinctions were associated with

the formation of large igneous provinces and abrupt increases in $\delta^{13}C$ enrichment, consistent with increased volcanic activity. The results suggest that the end Ordovician extinctions may have begun several million years earlier than previously thought, were triggered by increased volcanism, and had a longer lasting impact on global diversity than recognized, according to the authors.

Whitefly manipulation of plant odor signals

Whiteflies are major invasive crop pests. Upon infestation by whiteflies, plants mobilize salicylic acid-dependent defenses, which target pathogens, while suppressing jasmonic acid-dependent defenses, rendering the plants susceptible to insects. Peng-Jun Zhang et al. demonstrate that such host-plant manipulation extends to neighboring plants through airborne signals.

Using interconnected glass chambers, the authors exposed healthy tomato plants to volatiles released by other plants that were either uninfested or infested by whiteflies. Compared with plants that had been exposed to volatiles from uninfested plants, plants that had been exposed to volatiles from infested plants were more susceptible to whiteflies.

Exposure to airborne signals from infested plants helped accelerate the development of whitefly nymphs and suppressed the production of jasmonic acid, while increasing salicylic acid levels in response to whitefly infestation. Together, the find-



ings suggest that whitefly-infested plants release volatiles that prime a defense against pathogens in neighboring plants, at the cost of defenses against insect herbivores, making the neighboring plants more suitable for whitefly development. According to the authors, the ability of whiteflies to manipulate plant defense responses through induced volatile emissions might explain the rapid spread of whiteflies, and the findings could help develop effective control strategies.

Sustainability Science; Environmental Sciences Canopies, impervious surfaces, and urban heat

The urban heat island effect causes increased temperatures in urban environments compared with surrounding areas, with potential human health consequences.

As the climate warms, cities explore strategies to mitigate heat. Carly Ziter et al. examined the relationship between canopy cover, which reduces heat, and impervious surface cover, which increases heat, on urban air temperature in Madison, Wisconsin.

In the summer of 2016, the authors used a bicycle-mounted sensor to repeatedly sample the air temperature approximately every 5 m along 10 urban transects during the day, as well as four transects at night, spanning gradients of both impervious and canopy cover. Daytime temperature decreased nonlinearly with increasing canopy cover, with the greatest cooling occurring when canopy cover was more than 40% and at the scale of a typical city block (60–90 m).

However, canopy cover exhibited limited cooling at night, whereas



air temperatures increased with the amount of impervious surfaces both during the day and at night. The results suggest that effective urban heat mitigation requires efforts to both increase urban canopy cover and decrease impervious surface cover, according to the authors.

Migratory routes of prehistoric baleen whales

Baleen whales tend to feed in cool, high-latitude waters during summer before returning to warm waters to breed in winter, and researchers have hypothesized that migration is integral to the evolution of baleen whales. A

though fossil records of baleen whales' migration history are limited, whale barnacles can provide

a record of the whales' migration cycles by preserving the oxygen isotopic ($\delta^{18}O$) signature of the whales' movements. Larry Taylor et al. compared the oxygen isotope composition of modern whale barnacle shells from Alaska and California to fossilized Pleistocene-age barnacle shells from California and Panama. Both the prehistoric and modern specimens exhibited $\delta^{18}O$ profiles with a

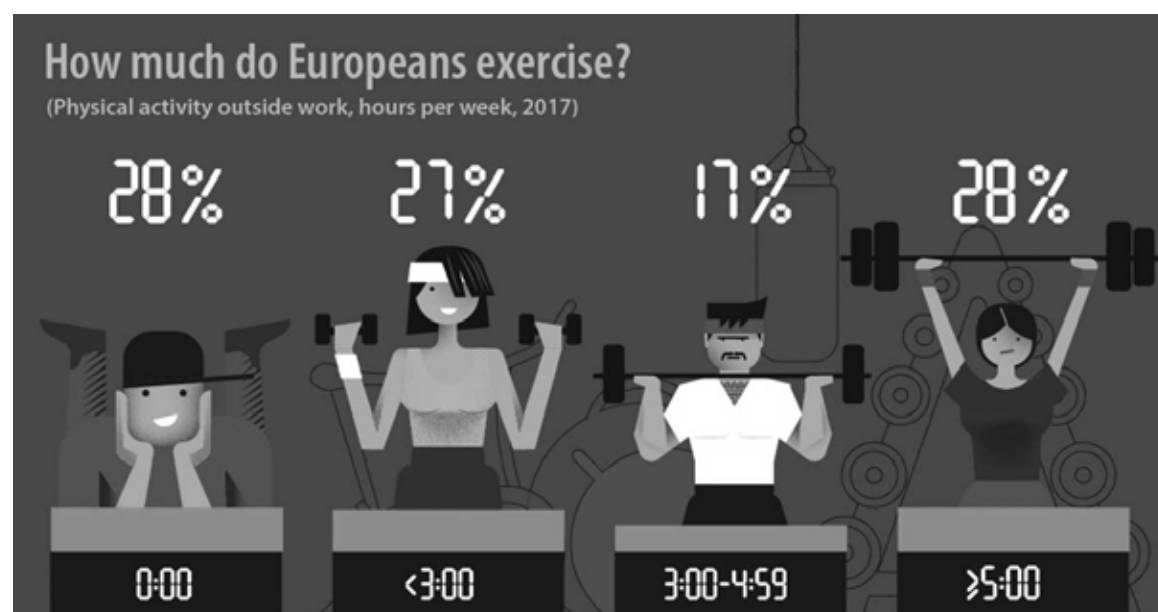
wide range of values, indicating time spent in varied waters, as well as a continuous progression between the ^{18}O -enriched and ^{18}O -depleted values, suggesting that barnacles grow throughout the whales' migration. The $\delta^{18}O$ profiles of the fossil barnacles exhibited signatures of a summer feeding season and winter breeding season, mirroring the migration patterns of the modern specimens. The

findings suggest that baleen whale migration patterns have been similar for hundreds of millennia, and that the Pacific coast of Panama has served as a meeting point for several whale subpopulations for at least 270,000 years, according to the authors.

Source: National Academy of Sciences of the United States of America

financial news

How much exercise do you do in a week?



The FINANCIAL -- Around 28 % of the European Union (EU) population aged 16 or over did not do any exercise outside working time in 2017, in contrast with the rest of the EU population, who undertook some form of sports, fitness or recreational activities in their leisure time.

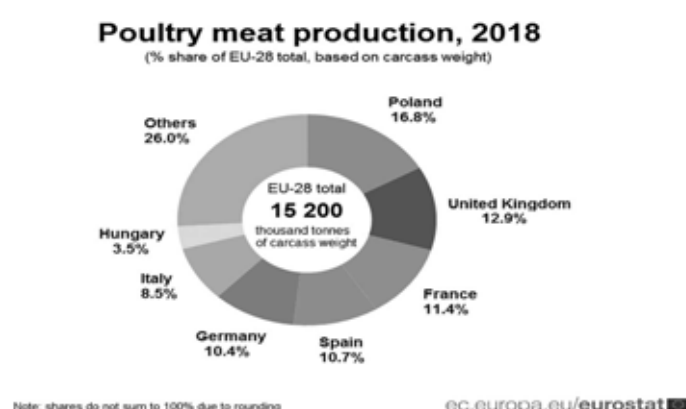
In a typical week, just over one quarter (27 %) of the EU population exercised for up to 3 hours, 17 % for between 3 and 5 hours and 28 % for 5 hours or more.

In most EU Member States the majority of the population carried out some form of exercise in their

leisure time, with the highest proportion in Romania (96 %). In contrast, there were two Member States where less than 50 % of the population were physically active outside work: Portugal (45 %) and Croatia (36 %).

Poultry meat production in EU at new high in 2018

The FINANCIAL – The European Union (EU) produced 15.2 million tonnes of poultry meat in 2018, a new high. This represents a cumulative rise of about one quarter or 3.2 million tonnes since 2010. In 2018, about 70 % of the EU production of poultry meat came from just six Member States: Poland (16.8 %), the United Kingdom (12.9 %), France (11.4 %), Spain (10.7 %), Germany (10.4 %) and Italy (8.5 %).



Peter WIEBLER of USAID Georgia: “Georgian organizations can and will cope with challenges

Continued from p. 6

In Georgia, key democracy priorities include strengthening the rule of law and judicial independence; deepening further electoral reform and political pluralism, and ensuring media freedom and space for independent voices. Diverse opinions, including at times critical ones, need to be heard, not silenced, in democratic societies, particularly in the lead-up to national elections like those planned here in 2020. When we voice, and/or have voiced our concerns about free and independent media in previous years, these have been the concerns of a “friend” who wants to see Georgia realize its future as a vibrant democracy in the Euro-Atlantic community. The United States remains committed to its strategic partner, Georgia, as it continues to strengthen its democratic

institutions, which certainly include the media and other independent institutions.

To answer your question more specifically, USAID supports an initiative called “MTAG” which exclusively focuses on developing the media sector. MTAG works together with USAID’s EPP, rule of law, and good governance initiatives collectively as a unit to enhance accountable governance and democratic checks and balances in Georgia.

Q: We know you have led Agency’s activities in democracy and governance fields in some of the most challenging locations including Afghanistan, West Bank/Gaza, Serbia, and Ukraine. Could you share some of the brightest success stories?

PW: There are too many to count. I have been fortunate to work in

some very important places at fascinating times – for example, I had the honor of serving as former President Jimmy Carter’s control officer twice when he led election delegations for various Palestinian elections in West Bank and Gaza. I also served in Afghanistan during the year of the ‘civilian surge,’ when we made a concentrated effort to support Afghanistan’s young democratic institutions. That work was quite difficult, and remains so today – but as we discussed earlier, democratic development is always in process; never quite an end-state!

Read full interview on: <https://english.caucasianjournal.org>



Cybersecurity spend tops US\$10 billion in Q4 2018 as new deployment models gain traction

Palo ALTO
CANALYS

According to Canals estimates, worldwide cybersecurity spending exceeded US\$10 billion for the first time in Q4 2018. Organizations increased their level of protection against malicious threats, while adhering to strengthening data compliance regulations. Total cybersecurity investment in 2018 reached US\$37 billion, up 9% from US\$34 billion in 2017.

Despite the high priority many organizations give to protecting their data assets, endpoints, networks, employees and customers, cybersecurity still only represented 2% of total IT expenditure last year. This will inevitably rise as new, more frequent and sophisticated threats emerge, which will give vendors further growth opportunities. By 2020, total cybersecurity spend is expected to surpass US\$42 billion on an annual basis.

“Over the next two years, the transition in cybersecurity deployment models will accelerate. Customers are changing their IT buying behavior, with the adoption of public cloud, and flexible consumption and subscription services,” said Canals Principal Analyst Matthew Ball. Canals data shows that in 2018 traditional hardware and software deployment accounted for 82% of the cybersecurity market. The remaining 18% was deployment of virtual appliances and agents, procurement through public cloud marketplaces and subscriptions to cybersecurity as a service.

By 2020, the proportion from traditional deployment models will fall to 70% as newer ways of delivering cybersecurity solutions gain traction. “Ven-

dors will have to establish a diverse range of business models to support this transition, as different products suit different types of deployments. The key challenge to date for many has been making the new models more channel-centric, and integrating them with existing partner programs, especially customer transactions via cloud marketplaces,” Ball added. “This has recently been addressed by some cloud marketplaces, allowing partners to offer customized deals and pricing direct to customers, while tracking deal registration and rebates.”

“The leading cybersecurity vendors have embraced new deployment models, with each in the process of transitioning their businesses to more subscription-based revenue and increasing transactions via cloud marketplaces,” said Canals Research Analyst Ketaki Borade. In Q4 2018, Cisco remained the overall worldwide market leader, growing its share from the previous year to just under 10%. Palo Alto Networks grew faster but remained in second place with 7%. Check Point, Fortinet, IBM and Symantec each had 6% market share in Q4. Overall, the top 10 cybersecurity vendors collectively represented 53% of shipments during this period, with the next 20 accounting for 21%.

“Cisco, Palo Alto Networks, Barracuda and Check Point are also the top cybersecurity vendors on the leading public cloud marketplace, AWS Marketplace, selling their virtual offerings on a per hour and annual basis. This is still a small part of their overall business, but is the fastest growing area,” Borade added. “Barracuda Networks, Trend Micro and F5 Networks also have a strong presence on cloud marketplaces, highlighting their early move to adopt new deployment models.”

Artificial Intelligence Will Trigger Major Shifts in Value Pools Across the Health Care Industry

According to a BCG Study, AI Will Create New Efficiencies for Biopharma, Providers, Payers, and Medtech Companies—But It Is Also Likely to Cause Some Value to Flow to Technology Players and Consumers

consumers in the form of lower premiums or out-of-pocket expenses. Technology and medtech companies also benefit significantly, while biopharma risks losing value because of shifts such as enhanced detection, prevention, and earlier treatment.

Health Care Players Are Making Major AI Investments

Author also outlines areas within health care for which AI spending will total \$8 billion by 2022. These include: Remote Prevention and Care. AI can be used to serve patients outside their doctor’s office or the local hospital. Virtual agents, for example, can conduct an initial consultation with a patient, screening out those who do not need to see a doctor and providing important information to physicians about those who do need treatment. Wearables or other devices can trigger alerts and interventions based on data such as anomalies in patient vital signs.

Diagnostics Support. AI applications in medical imaging and other clinical tests can help doctors identify conditions such as breast cancer, brain injury, or heart disease earlier and more accurately. Such tools can not only improve patient outcomes but also save money. Earlier diagnosis and treatment of many cancers, for example, can cut treatment costs by more than 50%.

Treatment Pathways and Support. Health care professionals can use AI tools to create individualized treatment plans that support VBHC by reducing risk, improving outcomes, and cutting costs.

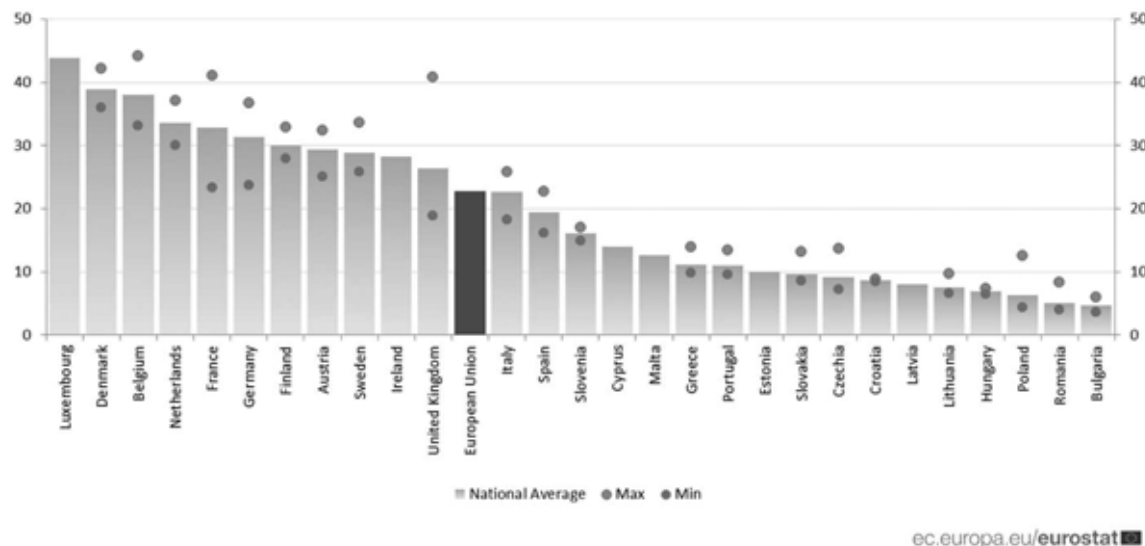
Drug Discovery and Development. AI can improve biopharma R&D productivity, leveraging past screening results and clinical data to help companies identify and develop promising drugs, while also accelerating trial design and recruitment.

The FINANCIAL – Companies in the four traditional sectors of health care risk ceding much of the value created by Artificial Intelligence tools to technology players and consumers, according to a new publication by Boston Consulting Group (BCG). Although AI will create significant efficiencies for biopharma companies, providers, payers, and medtech companies, those traditional players may not retain a sizable portion of the value created.

Author of the research assesses two possible scenarios for the value pool shifts created by AI. Under the first scenario, players in all four traditional sectors retain the value unlocked by improvements in their own efficiency. At the same time, medtech, providers, payers, and non-traditional health care companies from the technology sector capture much of the additional value created by AI—while the impact on biopharma is likely neutral. Under the second scenario, consumers benefit significantly. AI helps drive what is known as value-based health care (VBHC)—improved outcomes at lower cost—and the value unlocked passes to

Hourly compensation of employees in EU regions

Hourly compensation of employees in EU regions, 2016
(€ per hour worked)



The FINANCIAL

In 2016, the average rate of compensation of employees in the European Union (EU), in terms of wages, salaries and employers' social contributions, ranged from €44 per hour worked, in the

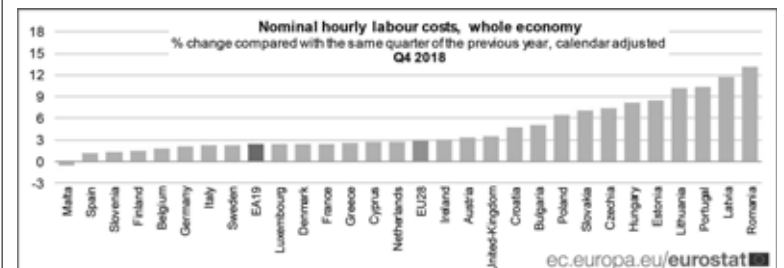
Brussels city region and in Luxembourg, to below €4 per hour worked in three regions in Bulgaria and the Nord-Est region of Romania.

The corresponding average across the EU as a whole in 2016 was €23 per hour.

Hourly compensation per em-

ployee was often highest in the capital region of EU Member States. Exceptions to this were in Germany (Oberbayern), the United Kingdom (Inner London West), Italy (Provincia Autonoma di Bolzano/Bozen), Spain (País Vasco) and Greece (Dytiki Make-

Annual growth in labour costs at 2.3% in euro area



The FINANCIAL

Hourly labour costs rose by 2.3% in the euro area (EA19) and by 2.8% in the EU28 in the fourth quarter of 2018, compared with the same quarter of the previous year. In the third quarter of 2018, hourly labour costs increased by 2.5% and 2.6% respectively. These figures are published by Eurostat, the statistical office of the European Union.

The two main components of labour costs are wages & salaries and non-wage costs. In the euro area, the cost of wages & salaries per hour worked grew by 2.3% and the non-wage component by 2.4% in the fourth quarter of 2018 compared with the same quarter of the previous year. In the third quarter of 2018, the annual changes were +2.3% and +2.9% respectively. In the EU28, the costs of hourly wages & salaries rose by 3.0% and the non-wage component rose by 2.2% in the fourth quarter of 2018. In the third

quarter of 2018, annual changes were +2.7% and +2.4% respectively.

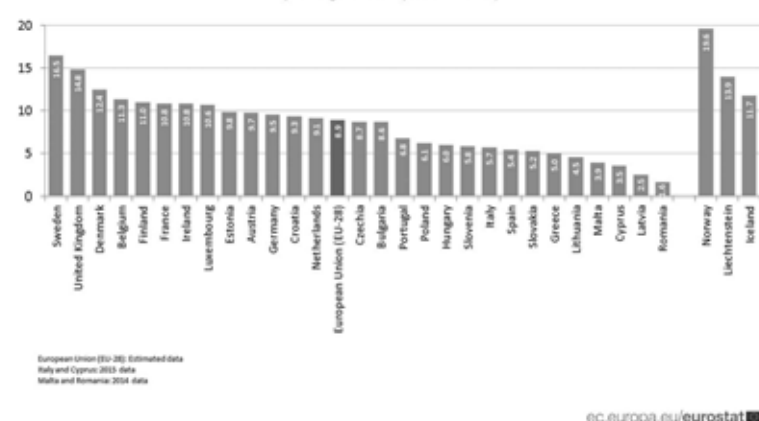
Breakdown by economic activity

In the fourth quarter of 2018 compared with the same quarter of the previous year, hourly labour costs in the euro area rose by 1.9% in industry, by 2.4% in construction, by 2.5% in services and by 2.4% in the (mainly) non-business economy. In the EU28, labour costs per hour grew by 2.4% in industry, by 2.8% in construction and in services, and by 3.0% in the (mainly) non-business economy.

In the fourth quarter of 2018, the highest annual increases in hourly labour costs for the whole economy were registered in Romania (+13.1%), Latvia (+11.8%), Portugal (+10.3%), and Lithuania (+10.2%), while the only decrease was recorded in Malta (-0.5%).

Waste electrical goods: collection rates compared

Collection of waste electrical and electronic equipment, 2016
(Total kg collected per inhabitant)



The FINANCIAL

Waste electrical and electronic equipment is a complex mixture of materials and components that can cause major environmental and health problems if not properly managed. As a result, considerable effort is being put into improving the collection, treatment and recycling of electronics at the end of their life.

At the European Union (EU) level, it is estimated that 8.9 kg of waste electrical and electronic equipment was collected per inhabitant in 2016, an increase of 25% over the five years since 2011.

The total amount of waste electrical and electronic equipment collected in the EU Member States

i 2016 varied considerably, ranging from 1.6 kg per inhabitant in Romania to 16.5 kg per inhabitant in Sweden. The variation in the amounts collected reflects differences in the levels of consumption of electrical and electronic goods as well as the different performance levels of existing waste collection schemes.

More than half (55.6%) of the total electric and electronic waste equipment collected in 2016 was attributable to large household appliances. This was followed by IT and telecommunications equipment (14.8%), consumer equipment/photovoltaic panels (13.5%) and small household appliances (9.0%). The remaining 7.2% of waste electrical and electronic equipment includes electric tools, lighting, toys and sports equipment.

Hard-to-fill ICT vacancies: how countries compare

The FINANCIAL

During 2017, 9% of EU enterprises recruited or tried to recruit ICT specialists and 5% reported having hard-to-fill vacancies for jobs requiring relevant ICT skills. In other words, over half (53%) of all enterprises that recruited or tried to recruit ICT specialists had difficulties in filling these vacancies.

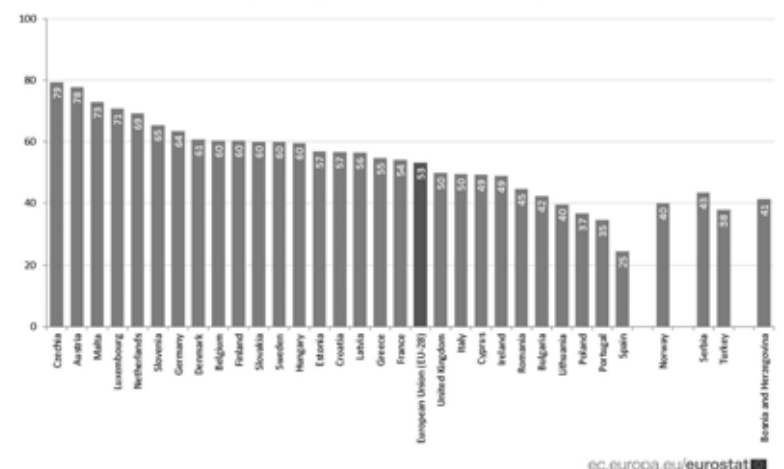
In the EU Member States, the highest proportions of businesses finding it difficult to recruit ICT specialists in 2017 were in Czechia (79%) and Austria (78%). In contrast, the proportion was below 40% in Poland (37%), Portugal (35%) and Spain (25%).

ICT training for personnel

During 2017, 10% of EU enterprises provided professional training to their ICT specialists, and twice as many (20%) provided ICT training for their other staff. Among the economic sec-

tors, the proportions were highest in the information and communication sector, where more enterprises provided training for ICT specialists (53%) than for other personnel (47%).

Enterprises that had hard-to-fill vacancies for ICT specialists, 2017
(% of enterprises that recruited or tried to recruit)



Immigration to EU countries: 4.4 million in 2017

The FINANCIAL -- A total of 4.4 million people immigrated to one of the European Union (EU) Member States during 2017, while at least 3.1 million emigrants were reported to have left an EU Member State. However, these total figures do not represent the migration flows to/from the EU as a whole, since they also include flows between different EU Member States.

There were an estimated 2.4 million immigrants to the EU-28 from non-EU countries. In addition, 1.9 million people previously residing in one EU Member State migrated to another Member State.

Among these 4.4 million immigrants during 2017, there were an estimated 2.0 million citizens of non-EU countries, 1.3 million people with citizenship of a different EU Member State from the one to which they immigrated, around 1.0 million people who migrated to an EU Member State of which they had the citizenship, and some 11 thousand stateless people.

A total of 22 of the 28 EU Member States reported more immigration than emigration in 2017, but in Bulgaria, Croatia, Latvia, Lithuania, Poland and Romania

the number of emigrants outnumbered the number of immigrants.

Relative to the size of the resident population, Malta recorded the highest rates of immigration in 2017 (46 immigrants per 1 000 inhabitants), followed by Luxembourg (41 immigrants per 1 000 inhabitants).

For emigration, the highest rates in 2017 were reported for Luxembourg (23 emigrants per 1 000 inhabitants), Cyprus (18 emigrants per 1 000 inhabitants), Lithuania (17 emigrants per 1 000 persons), and Malta (15 emigrants per 1 000 inhabitants).

The gross external debt of Georgia amounted to 17.8 billion USD by the end of 2018

The FINANCIAL – Gross external debt statistics are harmonized with BOP statistics. They include both public sector (general government, public corporations and national bank) and private sector (banking and other sectors) external debt. External debt statistics are compiled according to the methodology provided by the IMF’s “External Debt Statistics: Guide for Compilers and Users” (2003).

The gross external debt of Georgia amounted to 17.8 billion USD (47.5 billion GEL) as of 31st of December 2018. It accounted for 109.6 percent of the last four quarters’ GDP. During the fourth quarter of 2018 the gross external debt of Georgia in-

creased by 533.3 million USD. Out of that 616.5 million USD increase was due to transactions and 7.8 million USD - due to other changes. Meanwhile exchange rate and price changes led to decrease by 65.7 million USD and 25.3 million USD, respectively.

Public sector external debt amounted to 7.4 billion USD (19.9 billion GEL) or 45.8 percent of GDP. Out of which, debt of the general government amounted to 5.4 billion USD (14.4 billion GEL) or 33.2 percent of GDP. External liabilities of the National Bank of Georgia amounted to 369.2 million USD (988.2 million GEL) or 2.3 percent of GDP. And, the bonds and loans of

public enterprises were correspondingly 790.6 million USD (2.1 billion GEL) or 4.9 percent of GDP and 874.0 million USD (2.3 billion GEL) and 5.4 percent of GDP.

Banking sector external debt amounted to 4.3 billion USD (11.4 billion GEL) or 26.4 percent of GDP; Other sectors’ external debt stood at 5.3 billion USD (14.3 billion GEL) or 33.0 percent of GDP; While 2.4 billion USD (6.4 billion GEL) or 14.7 percent of GDP was the intercompany lending. The 90.0 percent of the gross external debt of Georgia was denominated in foreign currency.

The net external debt of Georgia amounted to 10.4 billion USD (27.8 billion GEL) or 64.1 percent of GDP

as of 31 December 2018. Net public sector external debt was 4.1 billion USD (11.0 billion GEL) or 25.3 percent of GDP.

External liabilities of the National Bank of Georgia increased by 40.8 million USD, out of that, transactions led to increase of the debt by 41.8 million USD, exchange rate changes contracted the debt by 1.0 million USD. By the end of 2018, the external debt of the National Bank of Georgia amounted to 369.2 million USD, of which 200.6 million USD are Special Drawing Rights (SDR)¹ which have no maturity date, therefore there is no obligation to repay them as long as Georgia is a member of the IMF.

Armenia and World Bank Group Renew Country Partnership Framework Focusing on Competitive, Export-led Economy

The FINANCIAL – The World Bank Group (WBG) Board of Executive Directors endorsed the 2019-23 Country Partnership Framework (CPF) for Armenia with around US\$ 500 million to support sustainable and inclusive growth and improve living standards in the country.

The new CPF is fully aligned with the government’s five-year program for a just, inclusive, and citizen-centric Armenia. It builds on the vision outlined by the new government in the wake of the “velvet revolution” in the spring of 2018 and embodies fresh political will to overcome Armenia’s development constraints and deepen reforms through a commitment to fight corruption, strengthen the rule of law, and invest in human capital.

The program implementation will leverage the complementary strengths of the World Bank Group institutions - the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency (MIGA).

“The proposed World Bank Group strategy will capitalize on the momentum and political will for deeper reforms and renewed commitment to good governance sparked by recent changes in Armenia to support a rebalancing of the economy toward a new growth model,” said Sylvie Bossoutrot, World Bank Country Manager for Armenia.

In supporting Armenia’s efforts to build a new, more inclusive growth model, the CPF will seek opportunities to incorporate key elements of good governance and inclusion, including public accountability and transparency, citizen engagement, gender, spatial equality, and digital connectivity.

“I am particularly happy that the strategic program has been developed through extensive stakeholder consultations with the government, the private sector, civil society, and development partners,” said Mercy Tembon, World Bank Regional Director for South Caucasus. “Moreover, the development challenges and opportunities that informed the CPF process also reflect the government program priorities and the WBG Systematic Country Diagnostic (SCD) for Armenia.”

IFC, with its focus on private sector development, will continue mobilizing private financing and collaborating across the WBG to support modernization of Armenia’s energy sector to reduce the reliance on imported fuel. IFC will also support the government’s efforts to increase competition and open the economy to foreign investment by providing direct financing to companies and supporting the development of export-oriented industries. It will continue working with financial intermediaries to boost their capacity to finance medium and small enterprises and facilitate trade.

International Investment Position Of Georgia

The FINANCIAL -- The net international investment position (IIP) of Georgia amounted to -23.2 billion USD (-62.1 billion GEL) for Decem-

ber 31 2018, accounting for -143.3 percent of the last four quarter GDP. Net IIP deteriorated by 110.7 million USD compared to the previous

quarter. International assets amounted to 9.8 billion USD (26.4 billion GEL) by December 31 2018, up by 307.2

million USD quarterly. Liabilities increased by 417.9 million USD during the quarter totaling 33.0 billion USD (88.5 billion GEL).

Balance Of Payments Of Georgia (IV Quarter 2018)

The FINANCIAL -- Balance of Payments statistic is compiled according to the methodology provided by the IMF’s “Balance of Payments Manual, Fifth edition”.

The current account deficit amounted to 458.1million USD (1.2 billion GEL) in the fourth quarter of 2018. The trade of goods and income account make negative contribution to current account, while services and current transfers - positive. It is to be noted that current account

deficit in 2018 decreased by 6.4 percent from 8.8 percent of GDP to 7.7 percent of GDP.

Balance of goods is still the major contributor to the current account. Trade of goods deficit decreased by 4.1 percent annually and amounted to 1.1 billion USD (3.0 billion GEL) in the fourth quarter. Meanwhile, exports increased by 15.5 percent and imports by 5.1 percent annually.

The positive balance of services (mostly due to exports of travel ser-

vices) partially offsets the negative balance of goods. Exports of services increased by 5.2 percent and imports by 10.4 percent. The balance of travel services is the largest positive component of the services account. Export of travel services increased by 14.1 percent annually and amounted to 650.8million USD (1.7 billion GEL).

The positive balance of the current transfers also reduced the current account deficit. Credit of current

transfers increased by 2.0 percent annually totaling 399.6 million USD (1.1billion GEL). Growth was observed for private transfers while, the government transfers declined.

Net foreign direct investments amounted to 130.5 million USD (349.2 million GEL) accounting for 3.1 percent of the fourth quarter’s GDP. The largest investment inflows were directed to Financial, manufacturing, real estate and hotels and restaurant sectors.

Hackers are causing blackouts. It’s time to boost our cyber resilience

By ROSA KARIGER, IBERDROLA AND PIERRE-ALAIN GRAF Senior VICE-PRESIDENT, ABB

A six-hour winter blackout in mainland France could result in damages to households, businesses and vital institutions totalling over €1.5 billion. A well-orchestrated cyber attack on critical electricity infrastructure could have this type of economic impact on a country. Is this realistic? Officials from the US Department of Homeland Security publicly declared in 2018 that hackers had infiltrated the control rooms of multiple US elec-

tricity utilities to the extent that they had the ability to disrupt the flow of electricity to customers.

As the co-chairs of the World Economic Forum’s Systems of Cyber Resilience: Electricity public-private working group for the past year, we have dedicated time to discussing how to mitigate the risk of cyber attacks affecting critical electricity infrastructure and defining the best approach to cyber resilience in the increasingly complex electricity ecosystem.

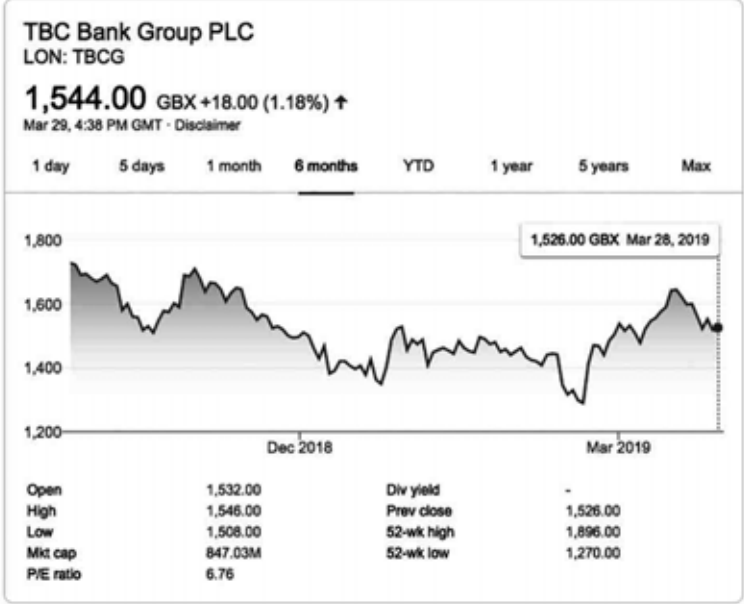
Over the past 10 years, the electricity sector has experienced significant cyber attacks – the map below provides a non-exhaustive snapshot. In 2010, the Stuxnet computer virus caused significant dam-

age to Iran’s nuclear power centrifuges which were manipulated to spin out of control. In 2014, a team of hackers cancelled approximately \$650,000 of electricity bills due to be paid to a Turkish energy company. In 2015, control systems at three Ukrainian energy companies were compromised leaving 225,000 customers in the dark. Again in 2016, ‘Crash Override’ malware cause a second cyber-related blackout in Ukraine.

Our sector has many years of experience in protecting critical infrastructures from environmental events and physical attacks and in building resilient networks. Now we need to enhance these protocols, implementing new practices and

strategies to address the new digital risks. Especially with the increasing number of new technologies and agents entering the ecosystem that, if compromised, could have a cascading effect over the entire electricity system.

Despite multiple electricity specific initiatives to share cyber information, as shown in the figure below, real-time cross-border information sharing at machine speed, and collective situational awareness is still a long way off. While the continuous evolution of technology will help through increasing maturity of security analytics, machine learning, artificial intelligence and even quantum computing, many challenges still exist.






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