



FINANCIALTM



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29 April, 2019

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Granted Survival!

By IRAKLI BARBAKADZE
ISET

Various business support programs have been implemented in many countries across the world. Grants, interest-rate subsidies, and equity participation are among some of the most adopted tools for promoting firms' performances (Dupont and Martin, 2006). Such assistance programs also have their own objectives. For example, low-interest rate loans and cash

transfers to new and small firms are designed to overcome the financial constraints many firms face (Hubbard, 1998). Moreover, these programs may aim to help firms adopt new technologies (Bronzini and Piselli, 2016; Dimos and Pugh, 2016). Occasionally, governments also use public subsidies to promote industrial development in lagging sectors, such as Regional Selective Assistance (RSA) in the UK or regional policy subsidies in Sweden and Italy.

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Putin Repeating Georgian Scenario of Pasportization in Ukraine

Says He May Expand Russian Citizenship Decree To Include All Ukrainians

The FINANCIAL

Russian President Vladimir Putin says his administration is considering a plan to ease the process of

granting Russian citizenship to all Ukrainians, not only those in war-torn parts of eastern Ukraine.

The remark, made by Putin on April 27 at a summit in Beijing, is likely to further inflame tensions with Kyiv, and with the incoming administration of President-elect Volodymyr Zelenskiy.

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Asylum decisions in the EU:

Recognition Rate of Georgian Migrants in EU is Five Times Less than Russians

The FINANCIAL

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The largest group of beneficiaries of protection status in the EU in 2018 remained citizens of Syria (96 100 persons, or 29% of the total number of persons granted protection status in the EU Member States).

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Climate change increases in importance to citizens around the world

The FINANCIAL

A new global study by Ipsos, carried out online among adults across 28 countries between February 22 and March 8, 2019, finds that while people

worldwide have a myriad of concerns when it comes to environmental issues, climate change has climbed in importance since last year. Among the top findings are:

Over a third of people around the world think that global warming/climate change (37%), air pollution,

(35%), and dealing with the amount of waste we generate (34%) are among the top three environmental issues facing their country. Concern for these issues has widened since last year.

Continued on p. 13

Wake up! You might have diabetes!

By GELA
MEGENEISHVILI

As the world progresses, it is only natural to see new problems emerge, however, diabetes and the overconsumption of sweets in general has been an existing issue for a while.

According to the World Health Organisation (WHO), the number of people diagnosed with diabetes has risen from 108 million in 1980 to 422 million in 2014 and the global prevalence of diabetes among adults over 18 years of age has risen from 4.7% in 1980 to 8.5% in 2014.

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G-Force Premium	2.43	Eko Premium	2.57	Super Ecto	2.55	Nano Premium	2.48	Efix Euro Premium	2.57
G-Force Euro Regular	2.35	Eko Diesel	2.63	Premium Avangard Ecto	2.44	Nano Euro Regular	2.38	Euro Regular	2.49
Euro Regular	2.29	Euro Diesel	2.59	Euro Regular	2.29	Nano Diesel	2.40	Efix Euro Diesel	2.59
G-Force Euro Diesel	2.59	Euro Regular	2.49	Euro Deasel	2.49	Nano Euro Diesel	2.53	Euro Diesel	2.53
Euro Diesel	2.49	Diesel Energy	2.53			GNG	1.45		
CNG	1.49								



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Granted Survival!

By IRAKLI BARBAKADZE
ISET

Various business support programs have been implemented in many countries across the world. Grants, interest-rate subsidies, and equity participation are among some of the most adopted tools for promoting firms' performances (Dupont and Martin, 2006). Such assistance programs also have their own objectives. For example, low-interest rate loans and cash transfers to new and small firms are designed to overcome the financial constraints many firms face (Hubbard, 1998). Moreover, these programs may aim to help firms adopt new technologies (Bronzini and Piselli, 2016; Dimos and Pugh, 2016). Occasionally, governments also use public subsidies to promote industrial development in lagging sectors, such as Regional Selective Assistance (RSA) in the UK or regional policy subsidies in Sweden and Italy.

Georgia is no exception in this regard, for instance, Enterprise Georgia is a key implementing agency, responsible for business support, export promotion and investment throughout the country. The agency covers three different aspects of entrepreneurial promotion. One is the industrial component, which is tailored to the specific stages of development and the financial needs of a business. The program provides its beneficiaries co-financing of bank loan interest, partial collateral guarantees, leasing opportunities, and technical assistance. A further component is termed Host in Georgia, and has been introduced to promote the hospitality industry within the country: to attract increasing numbers of tourists, create jobs, and develop each of Georgia's regions. The scheme promotes the arrival of international hotel brands, via franchises or management contracts, by co-financing any royalty fees. Finally, but no less significantly, is the Micro and Small Business Support (MSBS) program, designed to render financial support and consulting to micro and small businesses. The existence of these programs appears attractive, nevertheless, it is still somewhat critical to evaluate their effectiveness.

It is problematic killing two birds with one stone, and equally so using a single method to assess the outcomes of these three programs. Therefore, for simplicity, we have only concentrated on the MSBS program and tried to evaluate its effectiveness. Ultimately, the task was, unfortunately, not as easy as expected, however, we have still discerned some interesting findings that are certainly worth sharing.

It is now the fourth year the MSBS program is being steadily implemented across Georgia, with



the exception of Tbilisi. In total, 6,212 grants have been issued to beneficiaries. The fewest activities were recorded in the first year, with only 608 projects financed. Several reasons may help explain this figure and the resultant limited participation, including a lack of public trust and weak communications strategies from the implementing agencies. Thereafter however, the popularity of the program increased, and a record number of beneficiaries participated in 2016 (2,596 projects). Since 2015, the government has invested around 47 million GEL in supporting micro and small businesses, while the total volume of all investment projects, including the co-financing component, is approximately 61.6 mln. GEL.

As our main research is to identify the short-term effects of the program, we must focus on its second wave implemented in 2016. Having assessed the availability of the high-quality data concerning beneficiaries and non-beneficiaries by municipality, the Samtskhe-Javakheti and Shida Kartli regions were nominated for further study.

Before discussing our results, the methodology behind how contractor organizations select potential beneficiaries is particularly noteworthy. Typically, every enterprise applying for a grant undergoes a two-stage selection procedure. The first stage involves a pre-screening committee that assesses the submitted one-page business summaries and is resolved with a simple pass or fail. During the second stage, enterprises that successfully passed the first stage are asked to submit a full business plan, which are then evaluated by an independent agency (contractor organizations) and assigned a score. Enterprises scoring above a certain threshold (these cut-offs are calculated by the contractor organization, considering the quality of the application and the budget of the program) are awarded a grant, whereas those below do not receive funding.

For this study, we have combined two different sources of information. The first dataset is derived directly from the contractor organization, which provides information on the status of an

application (whether it is funded), the amount of the grant, and the location and industry in which the firm operates. However, this dataset lacks information about firms' financial and economic indicators. To fill this gap, we conducted a survey of the program participants. Having subsequently linked these two datasets, we found a sample of 284 companies, out of which 122 received funding and 162 did not.

As previously mentioned, evaluating the effectiveness of government programs is crucial not only for researchers, but also for policymakers. In the empirical literature, the term "effectiveness" is defined in several ways: it either applies to improved technology, higher productivity, and improved survival rate, or to improvement in any other dimension. However, the results from the empirical studies are mixed and are mostly driven by the measure of the outcome indicator.

In order to estimate the effect of the public support program, we are using an econometrics technique. The key concept behind the method is to compare the different outcome measures for both beneficiaries (treatment group) and non-beneficiaries (control group). The pure impact of the program is thus calculated by the difference in outcomes between the treatment and the control groups. Moreover, we are manipulating certain firm level and individual level characteristics in order to estimate the pure effect of the program.

We can estimate the effect of the subsidies from the following outcomes:

Survival rate – This indicator measures whether a company continues to operate within its initial field. We can thus observe the average survival rate for beneficiaries (94%) is almost two times higher (48%) than for non-beneficiaries (it is important to note that this indicator only relates to firms that agreed to participate in an interview. Those firms that did not take part in the survey are consequently absent from the calculation. Therefore, these survival rates are the upper bound estimators and are perhaps lower in reality). The high survival rate for funded firms is driven by both

existing businesses and start-ups. Furthermore, the study shows that the effects of a grant on start-ups are more significant. Namely, those start-ups which received a grant are more likely to continue operation in the same field than those which failed to receive funding.

Labor productivity – Labor productivity measures how the labor force is utilized in a company and calculated as sales per employee. Starting with simple means comparisons, we can observe that there is no significant difference between beneficiaries and non-beneficiaries in terms of labor productivity. The econometrics analysis also supports the argument that receiving funding does not have a noticeable effect on labor productivity.

Sales – Similar to labor productivity, the program does not influence sales in either the first or the second year of the program. Moreover, the study also reveals that the program has no effect on sales growth.

Investment in fixed assets – the effect of the government capital subsidy program on private capital investment has started to acquire growing interest within recent literature. The main question is whether public funding incentivizes private investment or is crowding it out. We therefore studied the volume of investments in fixed assets for both beneficiaries and non-beneficiaries. According to the program description, their beneficiaries were required to invest the grant and co-finance the money immediately after the program. Due to these requirements, investments in fixed assets for beneficiaries increased in 2016, though, in the first and second year of the program, the volume of investment decreased. On the other hand, there is no significant difference between beneficiaries and non-beneficiaries in terms of investment. Thus, the program itself does not have an investment enhancing effect.

It should be kept in mind that these are only the short-term effects of the program, which will not necessarily alter positive spillovers from continuing in

Continued on p. 10



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Daimler Says It Has No Idea How Kim Jong Un Got His Limos

TOKYO — German automaker Daimler, which makes armored limousines used by North Korean leader Kim Jong Un, says it has no idea where he got them and has no business dealings with the North.

Kim has raised eyebrows by using Daimler-branded stretch limousines at several very high-profile summits, including his meeting this week with Russian President Vladimir Putin and both of his earlier summits with President Donald Trump.

The sale of luxury goods, including limousines, is banned under U. N. sanctions intended to put pressure on North Korea to abandon its nuclear weapons.

Kim nevertheless had two limos waiting for him at Vladivostok station - a Mercedes Maybach S600 Pullman Guard and a Mercedes Maybach S62. He is believed to have also used the S600 Pullman Guard for his summits with Trump in Singapore in June last year and in Hanoi in February.

"We have absolutely no idea how those vehicles were delivered to North Korea," Daimler spokeswoman Silke Mockert said in a written response to an Associated Press report Wednesday on the limousines. "For Daimler, the correct export of products in conformance with the law is a fundamental principle of responsible entre-



preneurial activity."

Daimler, based in Stuttgart, Germany, is one of the world's biggest and more prestigious automobile companies. It is one of the biggest providers of high-end passenger cars and the world's largest producer of trucks above 6 tons.

On its home page, the multinational giant boasts of selling vehicles and services in nearly all the countries of the world and of having production facilities in Europe, North and South America, Asia and Africa.

North Korea, however, isn't one of its official customers.


"Our company has had no business connections with North Korea for far more than 15 years now and strictly complies with E.U. and U.S. embargoes," she said. "To prevent deliveries to North Korea and to any

of its embassies worldwide, Daimler has implemented a comprehensive export control process. Sales of vehicles by third parties, especially of used vehicles, are beyond our control and responsibility."

Kim's ability to procure the limousines anyway is a good example of how porous the international sanctions tend to be.

According to Daimler, the Mercedes-Benz Pullman limousines offer their passengers "a superbly appointed setting for discreet meetings."

The version used by Kim is believed to be equipped with all the key communications and entertainment systems so that, according to a company description of the car, its occupants can remain "fully in touch with the rest of the world while enjoying the luxury and comfort of their own very special place in it."



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financial news

Asylum decisions in the EU: Recognition Rate of Georgian Migrants in EU is Five Times Less than Russians



The FINANCIAL

Asylum decisions in the EUThe 28 Member States of the European Union (EU) granted protection status to nearly 333 400 asylum seekers in 2018, down by almost 40% from 2017 (533 000). In addition to these, the EU Member States received over 24 800 resettled refugees.

The recognition rate, i.e. the share of positive decisions among the total number of decisions, was 37% for first instance decisions in the EU. For final decisions on appeal, the recognition rate was 38%.

The outcomes of decisions on asylum applications, and therefore the recognition rate, vary between countries of citizenship of asylum applicants. Among the twenty main citizenships of asylum applicants on which decisions were taken at first instance in 2018, recognition rates in the EU ranged from around 5% for citizens of Georgia to 88% for Syrians and 83% for Eritreans.

The largest group of beneficiaries of protection status in the EU in 2018 remained citizens of Syria (96 100 persons, or 29% of the total number of persons granted protection status in the EU Member States), followed by citizens of Afghanistan (53 500 or 16%) and those of Iraq (24 600 or 7%), as compared with 2017 when 172 900 or 32% of asylum seekers granted protection were Syrians, 99 800 or 19% were Afghans and 63 800 or 12% were Iraqis.

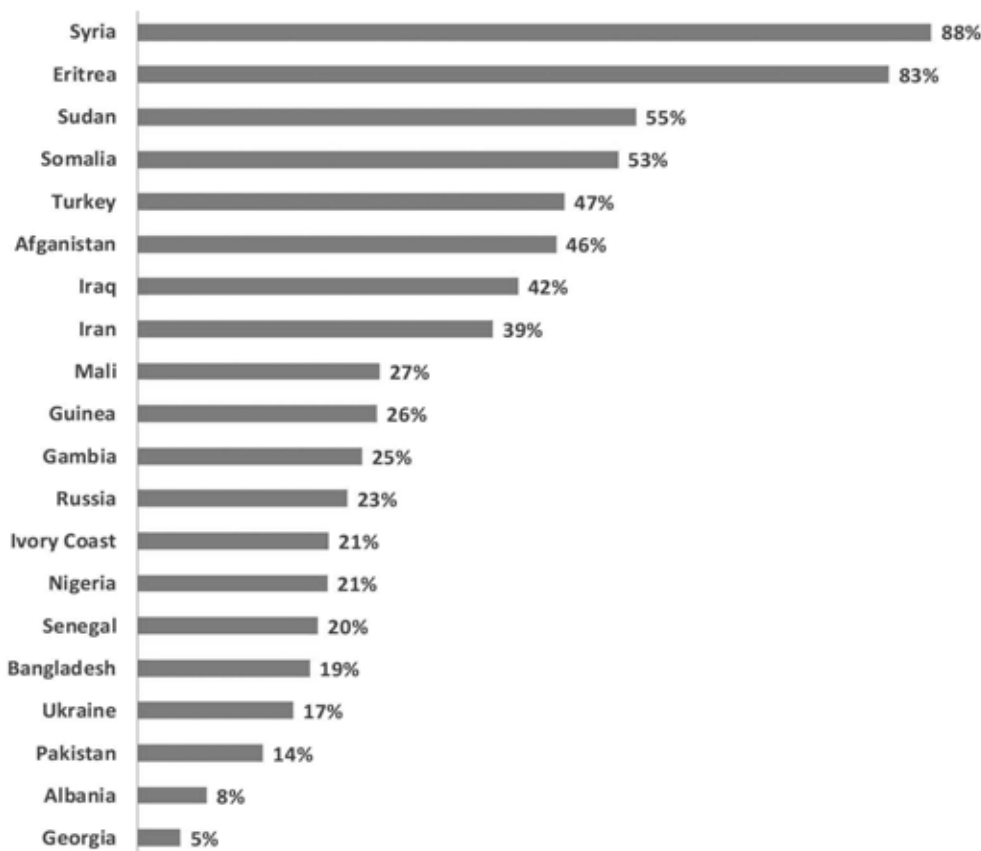
Syrians were the largest group granted protection status in sixteen Member States in 2018. Of the 96 100 Syrians granted protection status in the EU, almost 70% were recorded in Germany (67 000).

More than 40% of all positive decisions in the EU granted in Germany.

In 2018, the highest number of persons granted protection status was registered in Germany (139 600), ahead of Italy (47 900) and France (41 400).

Out of all the persons who were granted protection status in 2018 in the EU, 163 800 persons were grant-

Recognition rates at first instance for the twenty citizenships with the highest number of first instance decisions in the EU, 2018



ec.europa.eu/eurostat

EU MEMBER STATES GRANTED PROTECTION TO MORE THAN 300 000 ASYLUM SEEKERS IN 2018

ed refugee status (49% of all positive decisions), 100 300 were given subsidiary protection (30%) and 69 300 authorisation to stay for humanitar-

ian reasons (21%). It should be noted that, while both refugee and subsidiary protection status are defined by EU law, humanitarian status is grant-

ed on the basis of national legislation. Above one third of asylum decisions at the first instance made in the EU resulted in protection status.

In 2018, almost 582 000 first instance decisions on asylum applications were made in the EU Member States and a further 309 000 final decisions following an appeal. Decisions made at the first instance resulted in 217 400 persons being granted protection status, while a further 116 000 received protection status on appeal.

Almost 20 000 unaccompanied minors among asylum seekers registered in the EU in 2018

The FINANCIAL

In 2018, 19 700 asylum seekers applying for international protection in the Member States of the European Union (EU) were considered to be unaccompanied minors. This is down by more than one third compared with 2017 (31 400) and below the 2014 level (23 100), when the first increase was observed after remaining at a relatively constant level of around 12 000 per year between 2008 and 2013. In 2018, at the EU level, unaccompanied minors accounted for 10% of all asylum applicants aged less than 18.

In 2018, a majority of unaccompanied minors were males (86%). Three quarters were aged 16 to 17 (14 800 persons), while those aged 14 to 15 accounted for 17% (3 400 persons) and those aged less than 14 for 7% (1 400 persons). Over half of asylum applicants considered to be unaccompanied minors in the EU in 2018 were the citizens of six countries: Afghanistan (16%), Eritrea (10%), Pakistan or Syria (both 7%) and Guinea or Iraq (both 6%).

Four in ten unaccompanied minors applied for asylum in Germany or Italy

In 2018, the highest number of asylum applicants considered to be unaccompanied minors was registered in Germany (4 100 unaccompanied minors, or 21% of all those registered in the EU Member States), followed by Italy (3 900, or 20%), the United Kingdom (2 900, or 15%) and Greece (2 600, or 13%). Among the Member States with more than 1 000 asylum seekers considered to be unaccompanied minors in 2018, numbers rose most compared with the previous year in the United Kingdom (700 more unaccompanied minors in 2018 than in 2017, or +30%) ahead of Greece (200 more unaccompanied minors in 2018 than in 2017, or +8%). By contrast, the largest decreases among Member States with more than 1 000 asylum seekers were recorded in Italy (6 100 fewer unaccompanied minors in 2018 than in 2017, or -61%) and Germany (5 000 fewer, or -55%).

Over half of asylum seekers below 18 years old were unaccompanied minors in Slovenia and Bulgaria.

The largest shares of unaccompanied minors among all minor asylum applicants in 2018 were recorded in Slovenia (70%) and Bulgaria (57%), followed by the United Kingdom (31%), Romania (25%), Cyprus (24%), Denmark, the Netherlands and Slovakia (all 22%).

Above half of unaccompanied minors were citizens of six countries: Afghanistan, Eritrea, Pakistan, Syria, Guinea or Iraq

Of the 3 200 Afghans considered to be unaccompanied minors in the EU in 2018, almost half were registered in two countries: Greece (800 applicants) or Germany (700). Afghans represented the most numerous citizenship of asylum seekers considered to be unaccompanied minors in eight EU Member States.

Of the 2 000 Eritreans seeking protection in the EU Member States and considered to be unaccompanied minors in 2018, 3 in 10 applied in the United Kingdom (600), while of the 1 400 Pakistanis, 6 out of 10 applied for asylum in Greece (800). Of the 1 300 Syrians registered as unaccompanied minors 3 in 10 applied in Greece (400), while of the 1 200 Guineans more than 70% applied in Germany (500) or Italy (400). More than half of the 1 100 Iraqis registered as unaccompanied minors, applied in the United Kingdom or Germany (both 300).

financial news

Employment rate of people aged 20 to 64 in the EU reached a new peak at 73.2% in 2018

13 Member States already achieved their 2020 targets

The FINANCIAL

In 2018, the employment rate of people aged 20 to 64 in the European Union (EU) stood at 73.2%, up compared with 2017 (72.2%). The Europe 2020 strategy target is to reach a total employment rate for people aged 20 to 64 of at least 75% in the EU by 2020. This objective has been translated into different national targets in order to reflect the situation and possibilities of each Member State to contribute to the common goal.

The upward trend in the employment rate is visible both for men and women. The employment rate for men hit 79.0% in 2018, and has increased steadily since 2013. As for women, their employment rate has continuously risen since 2010 to reach 67.4% in 2018. Similarly, the employment rate of persons aged 55 to 64 in the EU has grown steadily, from 38.4% in 2002 to 58.7% in 2018. The greater participation of older workers is also one of the objectives of the Europe 2020 strategy on employment.



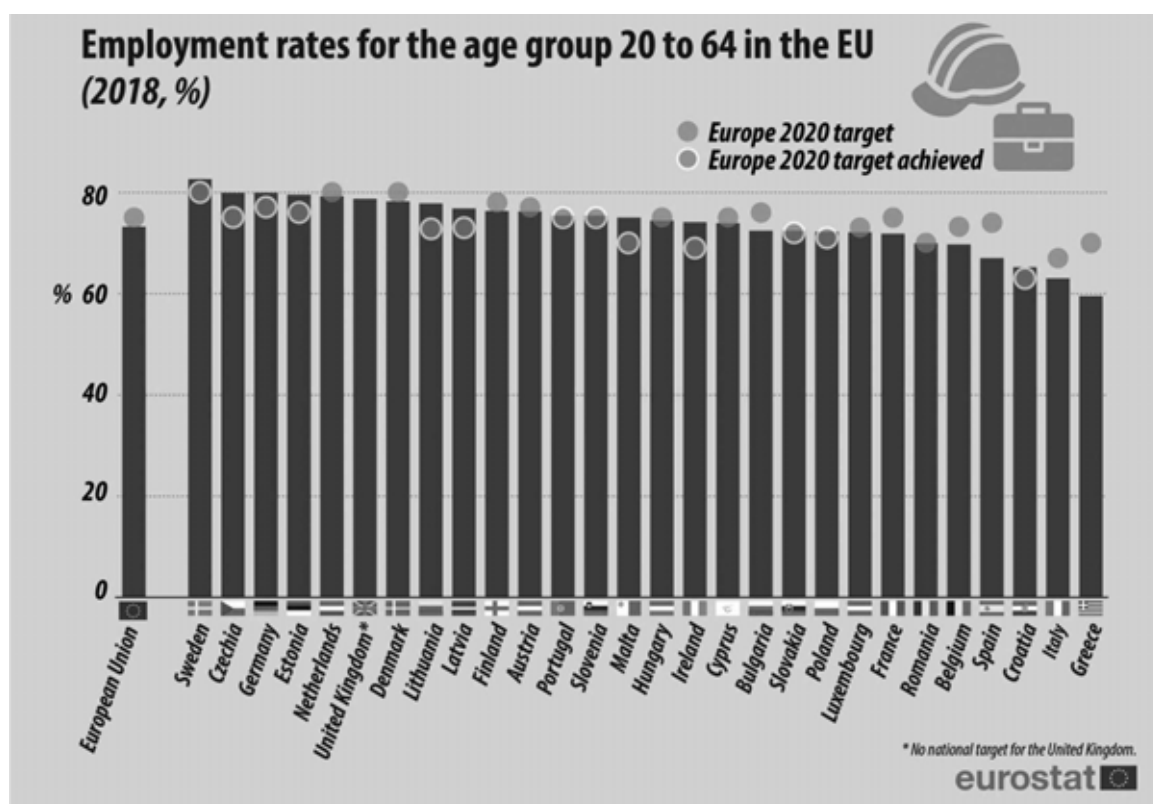
13 Member States already achieved their Europe 2020 employment target

Compared with 2017, the employment rate for those aged 20 to 64 increased in 2018 in all Member States without exception. It grew most strongly in Cyprus (+3.1 percentage points, pp), Finland (+2.1 pp), Latvia, Malta, Portugal and Slovenia (all +2.0 pp).

Employment rates above 75% were recorded in Sweden (82.6%), Czechia and Germany (both 79.9%), Estonia (79.5%), the Netherlands (79.2%), the United Kingdom (78.7%), Denmark (78.2%), Lithuania (77.8%), Latvia (76.8%), Finland (76.3%), Austria (76.2%), Portugal and Slovenia (both 75.4%). Among these Member States, Czechia, Germany, Estonia, Latvia, Lithuania, Portugal, Slovenia and Sweden have already met or exceeded their 2020 national targets for this indicator in 2018, as have Ireland, Croatia, Malta, Poland and Slovakia.

On the other hand, the lowest employment rate was observed in Greece (59.5%), although it grew over the year (+1.7 pp), followed by Italy (63.0%, +0.7 pp), Croatia (65.2%, +1.6 pp) as well as Spain (67.0%, +1.5 pp).

Narrowest



gender employment gap in Lithuania, widest in Malta

Employment rates of men and women continued however to vary

considerably in many Member States in 2018. The difference between the employment rate of women and that of men aged 20 to 64 was lowest in Lithuania

(76.7% for women vs. 79.0% for men, or -2.3 pp), Finland (-3.7 pp), Latvia (-4.2 pp) and Sweden (-4.3 pp).

At the opposite end of the scale, the largest difference between the employment rate of women and that of men was observed in Malta (63.4% for women vs. 85.7% for men, or -22.3 pp). Big gaps were also recorded in Greece (-21.0 pp) and Italy (-19.8 pp).

At EU level, the difference between the employment rate of women aged 20 to 64 (67.4%) and that of men aged 20 to 64 (79.0%) was -11.6 pp in 2018.

Employment rate of those aged 55 to 64 at its highest

point in the EU

From 38.4% in 2002, the employment rate of people aged 55 to 64 in the EU has grown steadily to reach 58.7% in 2018. The growth was stronger for women (from 29.1% in 2002 to 52.4% in 2018) than for men (48.2% in 2002 vs. 65.4% in 2018). As a consequence, the gap between the employment rate of women and men aged 55 to 64 in the EU has been reduced, from a -19.1 pp difference in 2002 to a -13.0 pp difference in 2018.

Over 70% of people aged 55 to 64 have a job in Sweden, Germany and Denmark

In 2018, over half of the population aged 55 to 64 was in employment in twenty-one EU Member States. The highest employment rate for this age group was observed in Sweden (77.9%), ahead of Germany (71.4%), Denmark (70.7%), Estonia (68.9%), Lithuania (68.5%) and the Netherlands (67.7%). On the other hand, the lowest employment rates were registered in Luxembourg (40.5%), Greece (41.1%) and Croatia (42.8%). Compared with 2017, the employment rate for those aged 55 to 64 increased in 2018 in all EU Member States.



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Is the World Growing as Old as Mold?

ANI LORTKIPANIDZE, GORBI

Population aging is an increasing median age in the population due to declining fertility rates and rising life expectancy. The UN ranks a country as ageing if seven percent of its population is over 65, while a “super-aged” country has over 20 percent of its citizens above that threshold. If in 1960 only 5% of world population was 65 years or older, in 2015 around 9% of the world population is aged 65 and above. This demonstrates that world on the whole is aging, but some countries such as Japan and Germany are aging even more.

The issue of an aging population could significantly undermine living standards enjoyed by different countries. First of all, an aging population is harmful for economic growth due to the decline in labor participation. Healthcare costs are also rising in aging countries. Therefore, countries with rapidly aging populations must allocate more money and resources to their health care systems.

Countries with large elderly populations also depend on smaller pools of workers from which to collect taxes to pay for higher health costs, pension benefits and other publicly funded programs. Therefore, there is much pressure on younger people in aging countries.

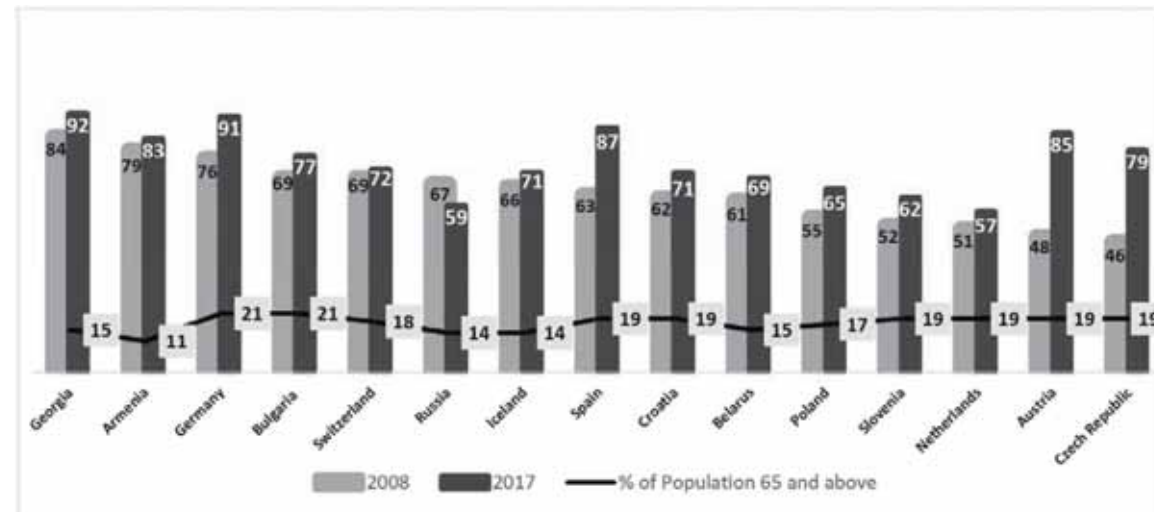
Population ageing is set to become one of the most momentous social alterations in the age of humankind and in this light, it is interesting to see what Europe thinks about living conditions of the elderly people in their country.

The European Values Study (EVS), a large multinational survey research program that has been studying basic human values for almost 40 years, has asked several questions regarding attitudes towards elderly people. GORBI has been part of the project since 2008 and is the data provider for Georgia and Azerbaijan for the most recent year.

In all countries surveyed except for Russia, concern for living conditions of elderly people has drastically increased.

As we can see from Graph 1, all 16 countries that were surveyed by the European Value Studies in 2017 are

Graph 1. People that are concerned about the living conditions of elderly people in their country (%)



Source: European Value Study, 2008-2018

aging countries, with more than 7% of their total population being 65 and over. Questions regarding the living conditions of the elderly have been asked both in 2008 and 2017. Everywhere but Russia the concern for elderly people has increased. In Austria, the percentage of the population concerned about the living conditions of elderly has increased by 37%, while in Spain this number has increased by 24% percent.

In 2008, Georgia was the country most worried about the living conditions of the elderly, and this trend continues in 2017 as well. It is interesting that males and females, as well as people from different age groups are similarly concerned about this issue in Georgia. Looking at Graph 1 we see that Georgia is not the most aging country among those surveyed, nevertheless out of the surveyed countries Georgia is the most concerned for the aged, so it is interesting look for the reasons behind such attitudes.

HelpAge International is an international NGO that helps older people claim their rights, challenge discrimination, and overcome poverty so that they can lead dignified, secure, active and healthy lives.

Global HelpAge ranks 96 countries according to the social and economic wellbeing of older people. Georgia was among the countries measured and was found to rank moderately in the income security domain due to a relatively high old age poverty rate (19%) compared to other countries (regional average is 11.7%) and low GNI per capita at US\$ 6,137 - the second lowest in the region. In addition, Georgia ranks lowest in the health domain, with above regional average life expectancy at 60 but under the healthy life expectancy at 60 and the psychological wellbeing rate (82%). Most importantly, Georgia has the lowest social connectedness (43%) in the region. In my opinion, the lack of social connectedness among the elderly is very important, yet not surprising in Georgia. We do not see many elderly people in cafes, restaurants, movie theaters, and other entertainment places in our daily lives.

I recall a lecture at Skidmore College in New York where my sociology professor was explaining ageism. She pointed out that compared to the U.S, where it is socially acceptable for elderly people to hold hands in public, dress up and walk in the streets freely, for some countries this is not socially

acceptable. I immediately thought of Georgia. Even though elderly people in Georgia are quite capable, there is a social stigma associated with their age. I've heard many times people in Georgia referring to older lady who has makeup on as “Fufala” and surprised gazes from people if they see older couple walking in the street holding hands. The fact that HelpAge demonstrated that Georgia has the lowest social connectedness in the region, is well demonstrated in our daily experience where we don't see many elderly people in public places. It's almost like an elderly person in Georgia does not have right to live his/her life to the fullest.

Financial conditions are also quite difficult for elderly Georgians. Many of them rely solely on their monthly pensions, which amount to 200 GEL. Indeed it is quite hard to live on 200 GEL when older age is linked with much higher health expenses. In addition, unlike the U.S for example, where there are plethora of homes for senior citizens, there are only two publicly owned residences for senior citizens in Georgia in Tbilisi and Kutaisi. Despite the unpopularity of so called “elderly shelters”, Tbilisi's home for senior citizens is

completely filled and new admissions are suspended, with many elderly ones still hopelessly waiting in lines. Due to the lack of spaces receiving beneficiaries is also problematic in paid “shelters”. It is not surprising that such residential centers are not popular in Georgia. EVS asked a question if people agreed with the following statement “Adult children have the duty to provide long-term care for their parents” and 92% of Georgians agreed with it, compared to the Netherlands, where only 24% of population agreed with this statement. These statistics make Georgia the firmest believer that children have a duty to provide long-term care for their parents among 16 countries surveyed by the EVS and is likely the underlying reason behind the unpopularity of elderly homes in Georgia, since it is not popular to admit your parents to an elderly home. Nevertheless, there are older people who do not have children or grandchildren, or any relatives whatsoever.

So while the world is getting old, Georgia is getting even older, and according to UN projections by 2050 the percentage of the population 60 years and older will exceed 29% in Georgia. This means that we need to concentrate much more on the wellbeing of our elderly population, where currently they lack financial security, social bonds and face social stigmas associated with their age. The ruling party needs to pay even more attention to this age group, since elderly people are their main supporters. I have been observing some positive efforts lately, such as a project pairing up elderly people in need with host families, however we need to put more effort into the financial and social well-being of elderly people in our country.

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



TBC Bank presented a macroeconomic review

Following an initiative of TBC Bank, a presentation of its macroeconomic review was held at Holiday Inn. The presentation was led by TBC Bank's Chief Economist Otar Nadaraia, who spoke about the impacts of the dynamics and forecasts of major economic indicators on the macroeconomics of the country.

The presentation also discussed the expectations of TBC Bank's Economists Group for the year 2019 and their evaluation of 2018.

TBC Bank's Economists Group presented their clients' relative risk assessment, economic growth, Lari exchange rate forecasts and crediting trends. Economists of TBC Bank believe that in the case of a 15% increase in lending, GDP will grow by 5.4%, and in the case of a 12% increase in the lending rate, the economy will grow by 4.7%.

“We think that due to the new regulatory framework, the lending rate will be reduced by a certain margin, but at the same time, unlike the 2018 fiscal stimulus, will be very strong and it will balance the relatively lower lending



rate.” – said Otar Nadaraia, Chief Economist of TBC Bank.

According to TBC Bank's review, the Georgian economy and its economic partners are more dependent on the Euro than the US Dollar.

“Today we have invited TBC Bank's corporate business customers, as well as personal customers, and we want to hold such meetings twice a year, where we will share our vision and our predictions on the macroeconomic situation.” – Vakhtang Butskhrikidze, CEO of TBC Bank, said.

According to TBC Bank's review, significant foreign inflows to Georgia will be moderate in 2019. According to international forecasts, the second half of this year will be more economically efficient. It is noteworthy that the reduction in lending is expected, but the solid fiscal costs will be a significant balancing factor.

The TBC Bank's Macroeconomic Review was attended by TBC Bank's customers who were able to receive additional information in the Q/A section, which will help them in planning their further activities.

The EU has reached its target for share of persons aged 30 to 34 with tertiary education

The FINANCIAL – In 2018, the lowest proportions of ‘early school leavers’ were observed in Croatia (3.3%), Slovenia (4.2%), Lithuania (4.6%), Greece (4.7%), Poland (4.8%) and Ireland (5.0%), while the highest shares were recorded in Spain (17.9%), Malta (17.5%) and Romania (16.4%).

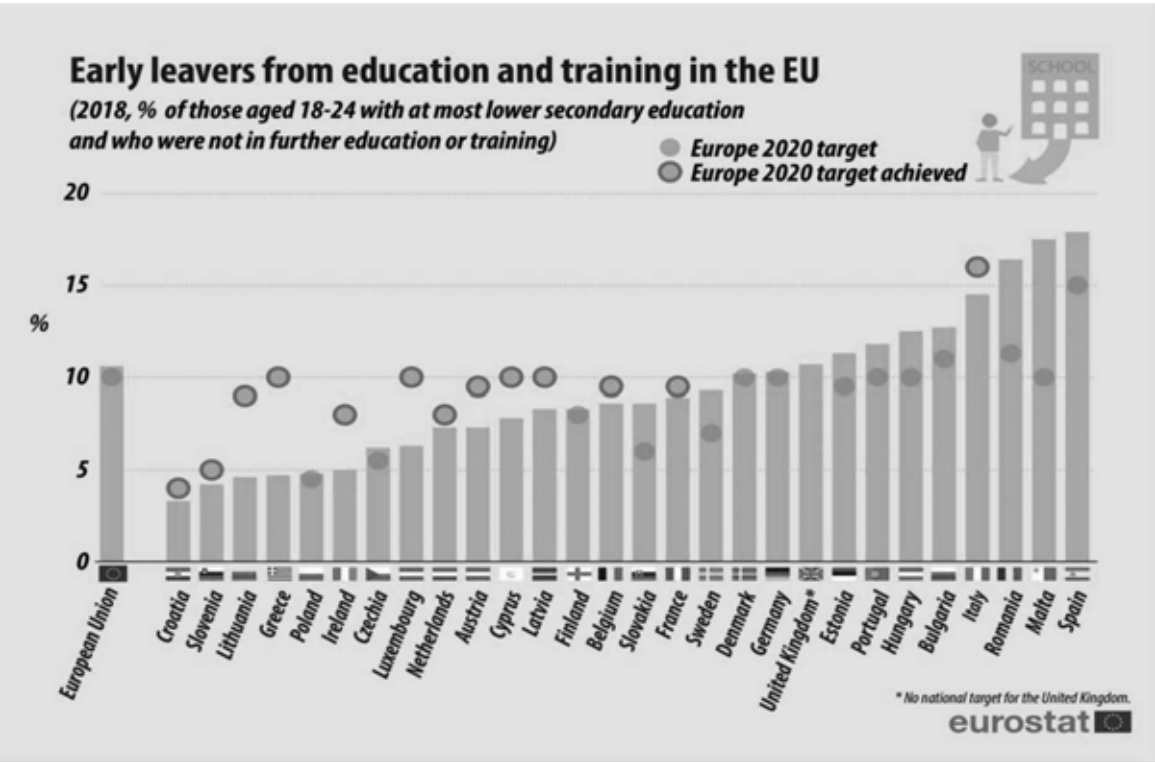
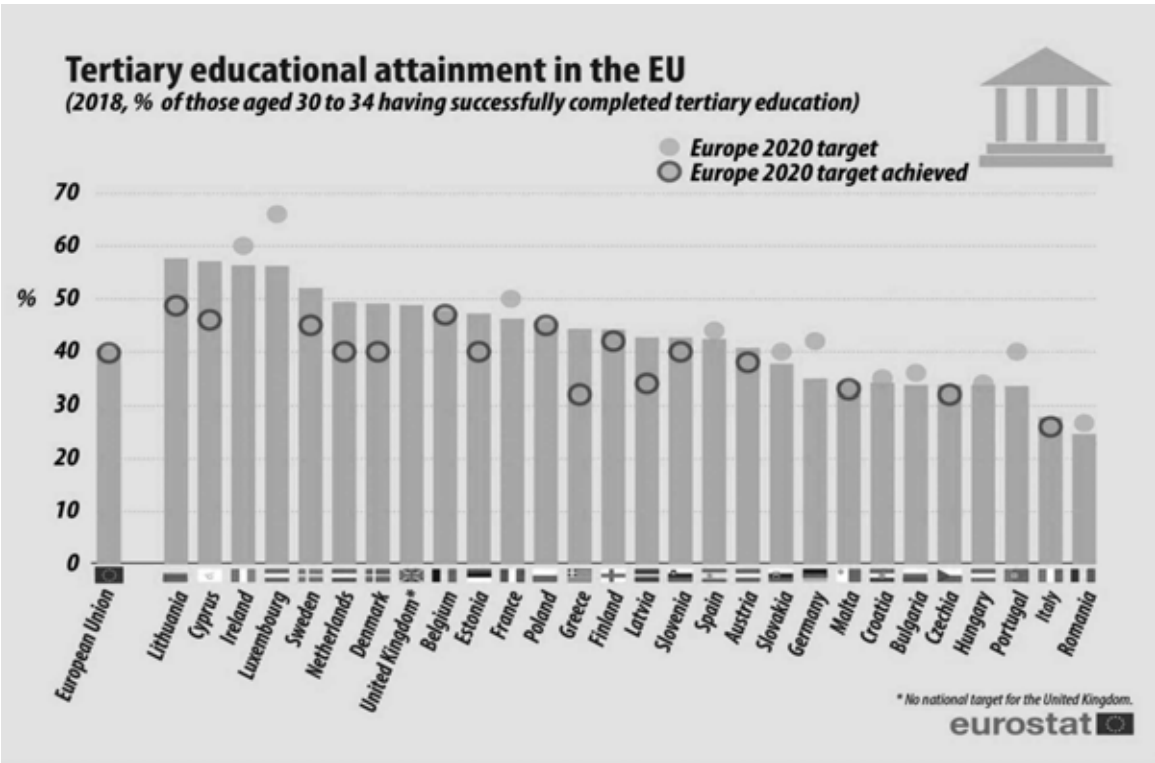
The Europe 2020 strategy’s target is that at least 40% of 30-34-year-olds in the European Union (EU) should have completed tertiary education by 2020. Reaching the level of 40.7%, the EU crossed this threshold in 2018. Since 2002 when the series started at 23.6%, there has been a steady increase. This growth pattern was even more significant for women (from 24.5% in 2002 to 45.8% in 2018) than for men (from 22.6% to 35.7%), meaning women are above and men still below the overall Europe 2020 target.

Meanwhile, the share of early leavers from education and training (aged 18-24) has steadily decreased in the EU, from 17.0% in 2002 to 10.6% in 2018. Young women (8.9%) are less affected than young men (12.2%). The Europe 2020 target is to reduce the rates of early school leaving in the EU to below 10% by 2020.

Highest share of those aged 30-34 with tertiary education in Lithuania and Cyprus, lowest in Romania and Italy

In 2018, the proportion of those aged 30 to 34 who had completed tertiary education increased compared with 2002 in every Member State for which the time-series is available.

In 2018, at least half of the popu-



lation aged 30 to 34 had completed tertiary education in Lithuania (57.6%), Cyprus (57.1%), Ireland (56.3%), Luxembourg (56.2%) and Sweden (52.0%). At the opposite end of the scale, the lowest proportions were observed in Romania (24.6%) and Italy (27.8%).

Sixteen Member States have already met or exceeded their 2020 national target for this indicator: Belgium, Czechia, Denmark, Estonia, Greece, Italy, Cyprus, Latvia, Lithuania, Malta, the Netherlands, Austria, Poland, Slovenia, Finland and Sweden.

In 2018, the share of persons aged 30 to 34 who have completed tertiary education is higher for women than men in all Member States.

Lowest share of ‘early school leavers’ in Croatia, highest in Spain, Malta and Romania

Compared with 2006, the proportion of early leavers from education and training decreased in 2018 in all Member States, for which the time-series is available, except Czechia (increase from 5.1% to 6.2%), Slovakia (from 6.6% to 8.6%) and Sweden (from 8.6% to 9.3%).

In 2018, the lowest proportions of ‘early school leavers’ were observed in Croatia (3.3%), Slovenia (4.2%), Lithuania (4.6%), Greece (4.7%), Poland (4.8%) and Ireland (5.0%), while the highest shares were recorded in Spain (17.9%), Malta (17.5%) and Romania (16.4%).

Thirteen Member States have already fulfilled their 2020 national target for this indicator: Belgium, Ireland, Greece, France, Croatia, Italy, Cyprus, Latvia, Lithuania, Luxembourg, the Netherlands, Austria and Slovenia. In 2018, the share of early leavers from education and training was lower for women than men in every EU Member State, except Bulgaria and Slovakia.

Putin Repeating Georgian Scenario of Pasportization in Ukraine

Says He May Expand Russian Citizenship Decree To Include All Ukrainians

The FINANCIAL

Russian President Vladimir Putin says his administration is considering a plan to ease the process of granting Russian citizenship to all Ukrainians, not only those in war-torn parts of eastern Ukraine.

The remark, made by Putin on April 27 at a summit in Beijing, is likely to further inflame tensions with Kyiv, and with the incoming administration of President-elect Volodymyr Zelenskiy.

“In general, we are thinking of giving our citizenship, in a simplified manner, to the citizens of Ukraine,” Putin said.

Zelenskiy won a landslide victory in the April 21 vote, defeating Petro



Poroshenko, who has been president since just after Russia annexed the Crimea Peninsula and helped start a war in parts of Ukraine’s eastern Donbas region in 2014.

Putin has not congratulated Zelenskiy on his victory. Instead, the Kremlin announced a plan to grant citizenship to residents of regions currently controlled by Russia-backed separatists-- a decision that was widely seen as highly provocative.

That drew a swift and angry response from Kyiv, the United States, Britain, and the European Union, as well as the Organization for Security and Cooperation in Europe -- the international organization tasked with monitoring compliance with the 2015 Minsk peace agreements.

Poroshenko said Putin’s decree “is actually about the Kremlin’s preparations for the next step of aggression against our state -- the annexation of the Ukrainian Donbas or the creation of a Russian enclave in Ukraine.”

In his news conference in Beijing, Putin also said he was open to meeting with Zelenskiy.

FactCheck



Roman Gotsiridze:



STATEMENT:
USD 2.1 BILLION WAS INVESTED IN GEORGIA IN 2007 WHICH CONSTITUTED 20% OF THE GDP. THIS HAS NEVER AGAIN OCCURRED IN GEORGIA. UNDER THIS GOVERNMENT, THE MAXIMUM FIGURE WAS USD 1.7 BILLION WHICH CONSTITUTED AROUND 10% OF THE GDP

VERDICT:
FACTCHECK CONCLUDES THAT ROMAN GOTSIRIDZE’S STATEMENT IS HALF TRUE.

Vakhtang DEMURIA
FactChek

RESUME:

In 2007, the National Statistics Office of Georgia corrected the figures for foreign direct investments. As a result of the corrections, the 2007 figure experienced a substantial decline by USD 263 million. It was a record-breaking number before the corrections when it exceeded USD 2 billion whilst subsequently amounting to USD 1.752 billion after the corrections. Under the renewed data, the highest figure was registered in 2017 instead of 2007. Because of amendments to the previous investment data, questions were raised by the public in terms of the revision methodology and the appropriateness of the motive behind it.

In terms of the foreign direct investments (FDI) to GDP ratio, the year 2007 was indeed record-breaking even after the corrections – investments accounted for 17.2% of the GDP. Under the Georgian Dream’s rule, the highest nominal figure was registered in 2017 when the FDI amounted to nearly USD 1.86 billion which constituted around 12% of the GDP.

Therefore, Roman Gotsiridze’s statement is fully accurate in terms of the 2007 investments to GDP ratio being record-breaking. However, he names the pre-corrections number as an absolute figure although this number was revised as a result of changes in

the calculation approach and is no longer the highest one. The 2017 figure, however, has not undergone any changes which the MP refers to as being less than it really is both in terms of absolute or relative figures.

ANALYSIS

On 5 April 2019, United National Movement MP, Roman Gotsiridze, stated: “USD 2.1 billion was invested in Georgia in 2007 which constituted 20% of the GDP. This has never again occurred in Georgia. Under this government, the maximum figure was USD 1.7 billion which constituted around 10% of the GDP.”

Foreign direct investments (FDI) means the owning of shares in a country’s enterprise by a resident of another country and carrying out a variety of economic operations related to that enterprise. The investor is direct if he owns at least 10% of the enterprise’s shares or something equivalent to such involvement.

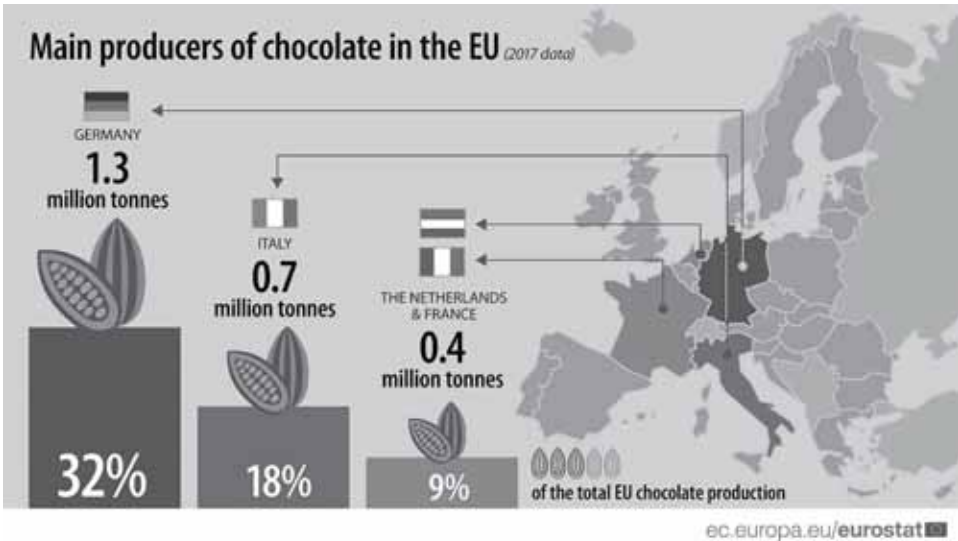
Of note is that the National Statistics Office of Georgia corrected the FDI figures in 2017. Roman Gotsiridze’s FDI figure is the one which was true before the corrections. FDI statistics were first corrected on the National Statistics Office of Georgia’s website in autumn 2017 at the time of the publication of the investment figures for the first three quarters of the year. The International Monetary Fund’s 2016 recommendation, which required congruence between the National Statistics Office of Georgia and the National

Bank of Georgia’s figures, was named as the reason behind the corrections. See **Fact-Check’s** research in this regard.

As a result of the corrections, the record-breaking 2007 investment figure which amounted to USD 2.01 billion in the accounting period decreased substantially by USD 263 billion. In regard to the methodological decrease, questions were raised by the public in terms of the revision methodology and the appropriateness of the motive behind it. The National Statistics Office of Georgia clarified that issue although the questions did not completely disappear. Of note is that the National Statistics Office of Georgia does not make a more specific clarification because the accounting reports of the financial situation of enterprises is a commercial secret of these companies. Nevertheless, it was noted that the aforementioned changes had been stipulated by corrections in joint stocks, reinvestment and debt obligation components.

As illustrated by the table, the year 2007 was indeed record-breaking in terms of the FDI to GDP ratio when the FDI constituted 17.2% of the GDP. Under the Georgian Dream’s rule, the highest nominal figure was registered in 2017 when the FDI reached nearly USD 1.86 billion and constituted 12.4% of the GDP. Of note is that the volume of the FDI decreased substantially in 2018 and dropped to USD 1.23 billion which constituted only 7.6% of the same year’s GDP.

Main producers of chocolate in the EU



The FINANCIAL – In 2017, the European Union (EU) produced around 4.0 million tonnes of chocolate, worth €18.3 billion.

Among the EU Member States, Germany produced the most chocolate (1.3 million tonnes, or 32% of the total EU chocolate production), followed by Italy (0.7 million tonnes, 18%), France and the Netherlands (both 0.4 million tonnes, 9%).

Continuing down the scale next came the United Kingdom* (0.3 million tonnes, or 7% of the total EU chocolate production), followed by Belgium* (0.3 million tonnes, 6%), Poland* (0.2 million tonnes, 6%), and Spain (0.1 million tonnes, 4%).

These eight EU Member States produced over 90% of the total EU chocolate production in 2017.

Moscow Lashes Out at Lithuanian Criminal Convictions of Soviet Officers

The FINANCIAL – On March 27, 2019, the Vilnius Regional Court sentenced 67 former Soviet military officers, including former Soviet Defense Minister Dmitry Yazov, for committing crimes against humanity for their roles in the January 1991 the clampdown on the country’s independence drive. During the Soviet action 14 people lost their lives. Moscow, which refused to cooperate with the three-year-long trial, called the proceedings illegal. The Russian Foreign Ministry claimed “the basic principles of law were violated, most importantly that of inadmissibility of retroactive application of law,” Russian state outlet RT reported. “The evidence proving that Soviet officers were not involved in civilian deaths on that tragic day has been ignored.”

On April 10, the Russian Investigative Committee launched a probe into the judges presiding over the case for “delivering a deliberately wrongful sentence.”

All but two of the defendants were sentenced in absentia, most of them facing prison terms of four to 12 years. The court sentenced the former military chief in charge of the clampdown to 12 years in prison. All will be appealed to a higher court.

Mikhail Golovatov, the former deputy commander of the KGB’s elite anti-terrorist Alpha Group, stated in a written deposition that former Soviet president Mikhail Gorbachev had given the green light to dispatch special forces to Vilnius.

Gorbachev was summoned as a witness but declined. But he told Deutsche Welle that he “never gave an order or sanctioned in any other way the use of army units in Vilnius.”

Crimes Against Humanity – International Law

As it stands, there is no internationally recognized, comprehensive convention covering crimes against humanity.

Article 7 of the Rome Statute, which established the International Criminal Court, defines “crimes against humanity” as certain “acts when committed as part of a widespread or systematic attack directed against the civilian population, with knowledge of the attack.”

Granted Survival!

Table 1: Foreign Direct Investments (USD Million) in 2007-2018 Before and After Corrections

	Before Corrections		After Corrections		Difference	
	Amount	GDP %	Amount	GDP %	Amount	%
2006	1,190	15.30%	1,171.1	15.10%	-18.9	-0.20%
2007	2,015	19.80%	1,752.6	17.20%	-262.4	-2.60%
2008	1,564	12.20%	1,569.7	12.30%	5.7	0.04%
2009	658	6.10%	664.1	6.20%	6.1	0.10%
2010	815	7.00%	845.1	7.30%	30.1	0.30%
2011	1,117	7.70%	1,130.2	7.80%	13.2	0.10%
2012	912	5.80%	1,022.9	6.50%	110.9	0.70%
2013	942	5.80%	1,020.6	6.30%	78.6	0.50%
2014	1,758	10.60%	1,817.9	11.00%	59.9	0.40%
2015	1,565	11.20%	1,652.5	11.80%	87.5	0.60%
2016	1,645	11.40%	1,602.8	11.10%	-42.2	-0.30%
2017	-	-	1,861.9	12.40%	-	-
2018	-	-	1,232.4	7.60%	-	-

Source: National Statistics Service of Georgia

Continued from p. 2

the long-run. One can conclude, at this stage, that the program has positive effects on a company’s survival, although the impacts on labor productivity and other economic outcomes have not been observed. These results are in line with recent empirical studies, which confirm the positive impact of public subsidies on employment, investment, and plant survival, while the effect on productivity is negligible or negative (Bergstrom, 2000; Bernini and Pellegrini, 2011; Cerqua and Pellegrini, 2013).

It is interesting to study the effect of the program on firms’ performance, while also considering the personal well-being of the grant recipients. Therefore, we investigated how the monthly income of grant holders differs from those without a grant. It is

Outcome Indicators	Effect of the program
Firm level	
Firm survival rate	Positive effect
Labor productivity	No effect
Sales	No effect
Investment in fixed assets	No effect
Individual level	
Quality of life	Positive effect
Monthly income	No effect

notable that the grant did not significantly alter the individual income of the participants. The study discerned that, on average, grant recipients have a higher income than non-recipients, however this cannot be solely explained by the existence of the grant. Even though the program does not have a significant effect on the monthly income of its participants, it has positively affected the individual well-being of the grant holders.

In conclusion, the first steps in evaluating the Micro and Small Business Support program have already begun. Nevertheless, due to the data limitation and methodological challenges, we now have an initial insight into the kind of short-term outcomes the program has reached. As proposed by Enterprise Georgia, this year the grant will be awarded using a different methodology and structure. As researchers, we are looking forward to accessing significant future data in order to effectively evaluate the forthcoming direction of the Micro and Small Business Support program.

Wake up! You might have diabetes!

By GELA MEGENEISH-VILI

As the world progresses, it is only natural to see new problems emerge, however, diabetes and the overconsumption of sweets in general has been an existing issue for a while.

According to the World Health Organisation (WHO), the number of people diagnosed with diabetes has risen from 108 million in 1980 to 422 million in 2014 and the global prevalence of diabetes among adults over 18 years of age has risen from 4.7% in 1980 to 8.5% in 2014.

In short, statistics suggest that immediate action is required, especially considering the lack of awareness among children which can potentially lead them to experience unpleasant, or even fatal consequences.

If medical care costs on Type 1 diabetes are sitting at GEL 50,000, the medical care for Type 2 might cost nine times that amount!

THE FINANCIAL reached out to one of the leading experts in the field, Professor of Endocrinology Ramaz Kurashvili, who, during an interesting interview, shared his lifelong experience and personal attitude towards the matter.

“Overconsumption of sweets can be directly compared to drug addiction. Sugar consumption, followed by immobility, raises insulin levels which lead to an even stronger hunger for sweets. Nowadays children are consuming daily levels of sugar which were previously considered to be the appropriate amount for adults. As an example, if a child daily drinks one litre of your average lemonade, their annual sugar consumption reaches a total of 50 KG, almost 25 times the annual amount recommended for children.” Ramaz Kurashvili told THE FINANCIAL.

The numbers certainly sound frightening! It is almost certain that there are a number of people who are consuming sweet beverages on a regular basis, and a one litre daily limit can easily be surpassed by drinking just two bottles a day.

In order to gain further insight into sugar consumption, THE FINANCIAL approached major sweets producers to analyze their sales rates. Unfortunately, such information could not be revealed to us for confidential reasons. One very popular soft drink producer even claimed that we should have approached the MINISTRY OF ECONOMY for access to the sales rates on their products, which seemed fairly ridiculous.

Having now understood the bureaucratic barriers to gathering specific sales information, THE FINANCIAL approached GEOSTAT (NATIONAL STATISTICS OFFICE OF GEORGIA) who provided us with data on the total production of sweet beverages, chocolate bars and cakes - useful to us because, as any decent economy student will tell you, product supply is equal to its demand.

The statistics from the years 2014-2017 show an general increase in production. Cake supply has jumped from 8,408.6 to 12,648.8 tonnes while chocolate production actually decreased from 4,163.1 to 3,944 tonnes, however the forecast for the end of the fourth quarter of 2018 estimates a rise to 4,890.1 tonnes. Sweet beverage production shows a minimal increase from 22,269 to 22,836 decalitres, however at the end of 2018, the estimates show a further rise to 26,196 decalitres.

Understanding the numbers is very important. As Ramaz Kurashvili mentioned, the current 435 million diabetics in the world is just rough an estimate, to include those who are close to being diagnosed with Type 1 diabetes would probably double the levels to 870 million. In Georgia, there are around 300,000 diabetics and the statistics are predicting an increase in this number.

Understanding these figures compelled us to highlight the danger signs for those diabetics, as of yet still undiagnosed, who are unaware that they could be classified as ones.

“In the constant fight with diabetes, it is becoming more and more essential to be presented with an organized risk management system by the government. Age is one of the main determining factors, as the risks increase as the person gets older. Obesity, the lack of physical activities, unhealthy food, high arterial pressure, increased levels of fats in the blood and lack of decent sleep, are all amongst the next most telling factors. Surprisingly, prevalence of negative emotions as well as stress and air pollution can also lead to diabetes.”

As for the youth, according to Ramaz Kurashvili, the highest risk of getting diabetes is among children between ages 4-7 and 10-14.

The natural follow-up for us was to inquire into the actions taken by the sweets producers, for example some sort of CSR (Consumer Social Responsibility) activities to increase awareness of the negative effects caused by the overconsumption of sugar, to which Professor Kurashvili answered to not have heard about any.

The shark international companies such as Coca-Cola and PepsiCo might have CSR programs concerning plastic waste, however, almost no events have been organized to increase social awareness about sugar consumption, especially in Georgia.

THE FINANCIAL also wanted to determine if introducing government regulations on sweets was a popular opinion among experts.

It turned out that the experienced Professor Kurashvili was not supportive of heavy regulations.

“Radical politics will probably cause more harm. Again, it is only up to people to make a positive change. However the progression I would like to have seen in the government system is hiring more qualified experts in the MINISTRY OF HEALTH CARE. Those at the top might be decent managers, but often they lack expertise in medical fields. Improvements in social awareness should be the goal, and experience from experts would probably be more effective.”

“Referring to the current government health insurance programs, the money required to treat the worse symptoms of diabetes are increasing exponentially, so fast, in fact, that no budget could pay for them. Just to put it into perspective, if medical treatment costs on Type 1 diabetes are sitting at GEL 50,000, the costs for Type 2 might need 9 times that amount! I see the more efficient solution being spending money on increasing social awareness and on curing early stages of the disease, so the furthered symptoms of diabetes can be avoided for good.”

Finally, the professor gave some healthy lifestyle suggestions.

One important tip which Ramaz Kurashvili mentioned was the necessity of controlling daily calorie consumption. The standard 3 meal day should include a 200-300 KCAL breakfast, 400-500 KCAL lunch and 300-400 KCAL dinner. The snacks between meals are recommended to not exceed 100-200 KCAL.

Going for a walk after work, was one of his suggestions as well however he put a huge emphasis on the impact of the quality of the air, stating that breathing in polluted air would actually be more harmful to oneself.

Diabetes continues to be an emerging health issue. In the modern world, we are guaranteed to have at least a few people around us with the disease and even more with a high chance of getting it.

Increasing public information on the disease is critical and requires a contribution from all of society.

DLA Piper ranks as one of the strongest legal brands in the UK

The FINANCIAL – DLA Piper has been ranked as the fourth strongest UK law firm brand in this year's Acritas UK Law Firm Brand Index. The firm scored 73 points in the annual independent listing.

The firm ranks inside the top five for awareness, favourability, top-level M&A consideration and high value work

usage. The report is compiled from analysis of data extracted from the Sharplegal 2018 survey database. Data is derived from 303 interviews with senior legal counsel, working within organisations with revenues surpassing £25 million across the UK, and 196 interviews with global buyers who

have needs in the UK, and senior responsibility for buying legal services.

The report measures the performance of law firms against five key criteria including top of mind awareness, favourability, consideration for top level litigation and M&A, as well as most used for high value work.



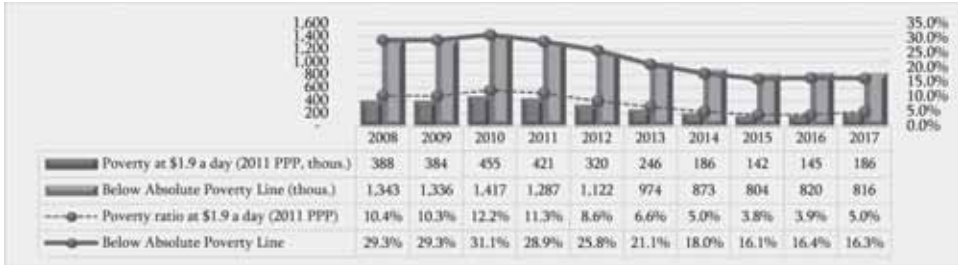
Irakli Kobakhidze:
Chairman of The Parliament of Georgi



STATEMENT:
THERE ARE 800,000 PEOPLE IN GEORGIA LIVING BELOW THE POVERTY LINE. AT THE CURRENT PACE, WE WILL NEED 10-TO-12 YEARS TO FULLY ERADICATE POVERTY IN OUR COUNTRY

VERDICT:
FACTCHECK LEAVES IRAKLI KOBAKHIDZE'S STATEMENT WITHOUT A VERDICT.

Graph 1: Trend of Changes in Population Living Below the Poverty Line



Source: National Statistics Office of Georgia, World Bank

Valeri KVARATSKHELIA
FactChek

RESUME:

There are multiple methodologies to measure the level of poverty in a country. The Speaker of the Parliament of Georgia, considering the figure in his statement, refers to the amount of people living below the absolute poverty line. This indicator is measured by the National Statistics Office of Georgia. The newest available data is from 2017 and not from 2018. As of 2017, 21.9% of Georgia's population; that is, 816,000 people, were living below the absolute poverty line. Nearly 186,000 people (5%) live with a USD 1.9 (2011 PPP) daily consumption level.

Taking into account Irakli Kobakhidze's figures, there are two alternative period scenarios for poverty eradication: with the existing economic growth rate (last two years average - 4.75%), it will be 2030 whilst it will be 2026 at a 7% growth rate. Given the expected trend in the population growth, the GDP per capita (purchasing power parity) will be around 18,000 international dollars in both scenarios.

In European countries with the GDP per capita close to 18,000 international dollars, the amount of people living below the USD 1.9 daily consumption level is mostly within the margins of 0.8% - 1.3%. Romania is an exception where the poverty level is relatively high at 6.2% whilst Turkey is only at 0.4%. The level of poverty, as well as any other indicator in every country, is affected by specific factors. Therefore, it is possible that the correlation between some data in one country might not be similar in another.

Given the general picture, it is expected that under the aforementioned scenario, it will not be possible to fully eradicate poverty in Georgia in the timeframe

indicated in the statement but the situation will be substantially improved. Despite the aforementioned, considering the nature of the statement, as it contains several assumptions with references to future estimates, FactCheck leaves Irakli Kobakhidze's statement without a verdict.

ANALYSIS

The Speaker of the Parliament of Georgia, Irakli Kobakhidze, stated that in accordance with the previous year's data, there are 800,000 people in Georgia living below the poverty line. As clarified by Mr Kobakhidze, it will take ten-to-12 years with the current economic growth rate to fully eradicate poverty whilst with a 7% economic growth rate, a period of seven-to-eight years will be needed. There are multiple methodologies to measure the level of poverty in a country. The Speaker of the Parliament of Georgia, considering the figure in his statement, refers to the amount of people living below the absolute poverty line. This figure is measured by the National Statistics Office of Georgia whilst the methodology is based on the World Bank's Basic Needs Method. The Basic Needs Method measures poverty based on the research of incomes and expenses of domestic households. The poverty line is measured by the value of the minimum caloric intake recommended for a working-age male. The latest available figure is from 2017. As of 2017, 21.9% of Georgia's population; that is, 816,000 people, were living below the absolute poverty line.

Poverty measuring indicators might be affected by both the social policy of the country (social transfers) and the economic growth rate. However, the only way for a natural reduction of poverty is economic development. Therefore, the approach to tie the reduction of the number of citizens below the absolute poverty line to economic growth is correct although the full eradication of poverty is a utopian goal.

Taking into account the aforementioned figures, there are two alternative scenarios for the period for poverty eradication: with the existing economic growth rate (last two years average), it will be 2030 whilst it will be 2026 with a 7% growth. Table 1 illustrates the estimated economic figures for both scenarios.

The 2017 GDP (in international dollars), calculated in purchasing power parity, is 36.2 billion international dollars in Georgia. Under the 4.5% growth scenario, that figure will reach 66.12 billion by 2030 whilst it will reach 66.5 billion international dollars under a 7% growth.

Taking into account the expected trend of population changes and with aforementioned figures, in both cases the real GDP PPP per capita will be 17,956 - 17,980 international dollars. Table 2 illustrates poverty figures for those European countries which used to have a GDP per capita within the same margin in the nearest past. The amount of people living below the USD 1.9 daily consumption is taken as the poverty measurement to ensure the comparability of the data for different countries.

As illustrated by the table, in the European countries which had a GDP per capita close to 18,000 international dollars, the number of people living below the USD 1.9 daily consumption line is mostly within the range of 0.8% - 1.3%. Romania is an exception where the poverty level is relatively high and constitutes 6.2% whilst Turkey is only 0.4%. The level of poverty, as well as any other indicator in every country, is affected by specific factors. Therefore, it is possible that the correlation between some data in one country might not be similar in another. Given the general picture, it is expected that under the aforementioned scenario, it will not be possible to fully eradicate poverty in Georgia in the timeframe indicated in the statement although the situation will be substantially improved.

Table 1: GDP Change Under Different Scenarios (2011 International Dollars)

		2018	2020	2025	2026	2027	2028	2029	2030
Growth Scenario	- GDP PPP (Billion)	37.89	41.57	52.43	54.92	57.53	60.26	63.13	66.12
4.75%	GDP PPP (Per Capita)	10,159	11,200	14,176	14,850	15,555	16,294	17,068	17,956
Growth Scenario	- GDP PPP (Billion)	38.70	44.31	62.15	66.50	71.15	76.13	81.46	87.17
7%	GDP PPP (Per Capita)	10,377	11,938	16,804	17,980	19,238	20,585	22,026	23,670

Source: World Bank, UN, Author's calculations

Table 2: Poverty Figures for Comparable Countries for 2010-2016

Country	Value	2010	2011	2012	2013	2014	2015	2016	Average
Bulgaria	Threshold 1.90\$	2.0%	2.2%	2.0%	1.7%	1.5%	-	-	1.9%
	GDP PPP (2011)	15,283	15,676	15,772	15,939	16,324	16,999	17,793	16,255
Croatia	Threshold 1.90\$	1.2%	0.7%	0.7%	0.7%	1.0%	0.7%	-	0.8%
	GDP PPP (2011)	20,183	20,758	20,343	20,299	20,364	21,026	21,922	20,699
Estonia	Threshold 1.90\$	0.7%	1.0%	0.7%	1.0%	0.7%	0.5%	-	0.8%
	GDP PPP (2011)	22,741	24,543	25,692	26,283	27,114	27,550	28,110	26,005
Greece	Threshold 1.90\$	1.0%	1.2%	1.5%	1.0%	1.5%	1.5%	-	1.3%
	GDP PPP (2011)	28,726	26,141	24,364	23,746	24,082	24,170	24,212	25,063
Hungary	Threshold 1.90\$	0.0%	0.0%	20.0%	20.0%	70.0%	50.0%	-	26.7%
	GDP PPP (2011)	22,404	22,841	22,582	23,119	24,161	25,034	25,664	23,687
Latvia	Threshold 1.90\$	1.7%	1.0%	1.0%	1.2%	0.7%	0.7%	-	1.1%
	GDP PPP (2011)	18,252	19,773	20,828	21,564	22,172	23,019	23,743	21,336
Lithuania	Threshold 1.90\$	1.5%	0.7%	1.0%	0.7%	1.2%	0.7%	-	1.0%
	GDP PPP (2011)	21,071	22,854	24,049	25,144	26,258	27,046	28,034	24,922
Romania	Threshold 1.90\$	4.5%	5.7%	6.7%	7.2%	7.5%	5.7%	-	6.2%
	GDP PPP (2011)	17,469	17,908	18,361	19,077	19,802	20,666	21,782	19,295
Turkey	Threshold 1.90\$	0.8%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.4%
	GDP PPP (2011)	17,959	19,661	20,282	21,651	22,402	23,388	23,756	21,300

Source: World Bank

financial news

Russian intelligence operations shifting tactics not goals

NATO REVIEW

Russia's intelligence services – well-funded, aggressive and politically protected – remain at the heart of Moscow's wider political war against the West, intended to disrupt, distract, and demoralise. Although many different instruments are used, from disinformation and corruption to diplomacy to economic pressure, the intelligence services are committed to not just gathering information but active operations, and thus they play a crucial role in their use. The lesson for NATO is not just of the need for continued vigilance but also that the solidarity embodied by the Alliance is as important in dealing with non-military as military threats.

A year of living dangerously

There was no let-up in Russia's aggressive intelligence campaign against the West in 2018. In March, an attempt was made to kill Sergei Skripal – a former officer of Russia's military foreign intelligence service (GRU) turned British agent – with a rare nerve agent, Novichok. Skripal, his daughter and a first responder survived but a passer-by, who later discovered the vial in which the poison was carried, died.

Greece threw out two Russian diplomats and banned two others in July 2018, citing attempts to interfere with the historic vote in (what is now formally known as) the Republic of North Macedonia over changing the country's name.

A Russian spy was made persona non grata in Sweden in August and, in September, the Norwegian Police Security Service arrested an alleged agent, although he was later released.

In October, four GRU officers were detained by the Dutch authorities as they were hacking into the systems of the Organisation for the Prohibition of Chemical Weapons (OPCW) in The Hague – the watchdog that had been investigating the Skripal poisoning case.

Nor does 2019 promise to be any better. Already, a major in the Belgian military intelligence service (ADIV) has been accused of being a Russian agent and a Swedish national was arrested for contacts with an officer of Russia's foreign intelligence service (SVR).

Countries across Europe are mobilising to identify and prevent potential interference with the European elections in May as well as a slew of local ones to be held this year. In Denmark, for example, the government has announced an action plan to prevent Russian meddling in its parliamentary elections, to be held in or by June.



As one of several coordinated denunciations of Russian activities, Britain and the Netherlands accuse Russian agents of trying to hack into the Organization for the Prohibition of Chemical Weapons (OPCW), while it was investigating the attack on Sergei Skripal, a former Russian spy, in the United Kingdom. Pictured (left to right) General Onno Eichelsheim, the director of Netherlands Defence Intelligence and Security Service, Dutch Minister of Defence Ank Bijleveld and British Ambassador to the Netherlands Peter Wilson at a news conference in The Hague – 4 October 2018. © Reuters

Tactical learning, strategic obduracy

However many operations are foiled, exposed in precise detail, and followed up with expulsions and re-creations, the Kremlin seems committed to its campaign. Rather than being humbled, it has instead made some tactical shifts of emphasis.

Thus, although there is undoubted and justified concern about Russian activities around the forthcoming European elections, Moscow appears to have learned that it is unlikely to be able to swing the results of polls through direct interference, and that such efforts can be counter-productive. Instead, the emphasis is rather on exploiting the campaigns and outcomes to maximise internal dissent and to make them as acrimonious as possible. A steady flow of polarising disinformation and propaganda, playing to every extreme, is likely to be supported by covert intelligence activity. The latter could range from hacking and leaking real or doctored materials, to providing relatively small amounts of what the Russians

call *chernaya kassa*, or 'black account' moneys, to useful individuals, campaigns and media outlets (in an age when a passionate partisan with a website or a twitter feed can be considered such an 'outlet').

I was in Moscow during the initial British expulsions that followed the Skripal case – before other countries also showed their solidarity – and a tank close to the Kremlin expressed what seemed to be the government's consensus when he assured me that this would be the sum total of the diplomatic cost. The unexpectedly strong international response came as a shock to Moscow and seems to be deterring that kind of overt, even wilful challenges. Inevitably, largely temporary lulls in activity ensued as networks were re-established. However, other than that, it seems to have done nothing to discourage Moscow from its aggressive and high-tempo intelligence campaign, merely slightly (and possibly temporarily) moderating its tactics.

It is telling, after all, the extent to which President Vladimir Putin continues to put his faith in his security and intelligence services. He continues to lean on them as his primary sources on analysis of the outside world (much to the chagrin of the Ministry of Foreign Affairs). And he used the gala celebrating the GRU's centenary in November 2018

to signal his wholehearted support of the agency and its officers' "professionalism, personal daring and decisiveness", confounding those who thought he might be angered by their recent high-profile failures.

Desperately seeking solidarity

If the Kremlin is unlikely in the near future to change its ways, the crucial question becomes how best to respond. The multinational response to the Skripal attack – in which 27 NATO countries expelled 123 Russian diplomats and spies – remains the single most visible rebuke to the Russian intelligence challenge and also the most powerful example of a potential systemic counter.

NATO has proven to be a uniquely effective alliance precisely because of the solidarity it embodies: an attack on one member state is an attack on all. At NATO's Warsaw Summit in 2016, it was decided that also a so-called 'hybrid attack' could potentially lead to the invocation of Article 5 (the collective defence clause in NATO's founding treaty). That is a mutual commitment that even Moscow appears to take seriously, for all

Western concerns about potential faint-heartedness and division.

However, NATO's effectiveness also rests on its relatively tight focus and limited mission. While it has moved into the realm of out-of-area expeditionary operations, and while it is well aware of the dangers that non-military challenges pose to warfighting capabilities, it is not well placed to deal with many of them, and nor should it. The weaknesses the Russian campaign exploits, from the feelings of communities that feel politically marginalised, to the continued problems of corruption and illicit financial flows, are issues of governance, not defence.

Other agencies, such as the European Union and/or alliances of individual states, need to demonstrate the same solidarity that NATO embodies. Either way, until the Kremlin can believe that if it carries out malign non-military operations against a Western state, it risks more than simply a bilateral challenge, it has little reason substantively to scale down its operations.

Individual states also have to up their game, especially in the realms of intelligence and counter-intelligence spending. Although NATO's famous benchmark – that member states ought to spend two per cent of GDP on defence – is for many still an aspiration rather than a reality, it does at least provide a sense of the minimum target. There is no such common figure for spending on defence against political operations, with the result that the proportional budgets vary wildly, from relatively high spenders such as Estonia, the United Kingdom and the United States, to nations at the other end of the spectrum.

After all, in the context of alliances, where sharing intelligence and discussing common plans are a daily necessity, member states which fail to invest in their counter-intelligence agencies put not only their own security at risk but also that of their allies. Russia's intelligence challenge is not going to abate in the near future and there will be other challenges on the horizon, possibly from ascendant powers such as China or non-state actors. Whether a task for NATO, or the European Union, or some other constellation of states, or a combination, it is time for the debate about adequate levels of security spending to move beyond the purely military and into the covert domains.

Dr Mark Galeotti is a Senior Associate Fellow at the Royal United Services Institute. His most recent works include 'Russian Political War' (Routledge, 2019), 'We Need To Talk About Putin' (Ebury, 2019) and 'The Vory: Russia's super mafia' (Yale, 2018).

Party Leader Calls LGBT Rights an Imported Threat to Poland

WARSAW — The chairman of Poland's conservative ruling party, Jaroslaw Kaczynski, has called the LGBT rights movement a foreign import that threatens the Polish nation.

Kaczynski, a member of parliament who wields tremendous influence as leader of the Law and Justice party, also said during a lecture on patriotism that "everyone must accept Christianity" in Poland and that questioning the Roman Catholic Church is unpatriotic.

The positions Kaczynski expressed Wednesday in the central city of Wloclawek came as Poland's powerful Catholic Church is under scrutiny for child sex abuse by clergy and superiors who might have covered up for pedophile priests.

Poland also has two elections this year: the vote next month to elect the country's representatives to the European Union parliament and a national election in the fall.

With his remarks, Kaczynski seemed



to be tapping into the belief held by some Poles that liberal values have been forced on them as a result of Poland joining the EU 15 years ago.

Kaczynski's Law and Justice party

won the last general election in 2015, the height of Europe's mass migration crisis. The party's campaign included portraying Muslim refugees as a threat to Poland.

Greater visibility

In recent weeks, Law and Justice has described the LGBT rights movement as another danger to Polish families and children. LGBT rights have become increasingly visible as more Polish cities and towns hold gay pride parades, even places known as bastions of the church and conservative values.

Mirosława Makuchowska, from the group Campaign Against Homophobia, said she thinks the party chairman's anti-LGBT message was meant to distract attention from corruption scandals in the Catholic Church and in the Polish government.

"These are the same methods and same messages" used to demonize Muslim immigrants, Makuchowska said. "It's appalling and frightening because it's scapegoating."

The Catholic Church has long been revered as the institution that kept the lan-

guage and spirit of Poland's people alive during a long period of foreign rule, while also supporting the democracy movement under communism.

But the church's standing has taken a hit as sex abuse victims increasingly speak publicly about past crimes of accused priests. Public opinion surveys show falling support for having nuns and priests, or even lay educators, teach religion in public schools, as is now the case.

A movie about the clergy abuse problem, *Kler* (Clergy), became a blockbuster hit last year. On Wednesday, Kaczynski called the film an "attack on the church" and alleged it's the LGBT rights movement that puts Polish children at risk.

"We are dealing with a direct attack on the family and children – the sexualization of children, that entire LGBT movement, gender," he said. "This is imported, but they, today, actually threaten our identity, our nation, its continuation and therefore the Polish state."

Climate change increases in importance to citizens around the world

The FINANCIAL

A new global study by Ipsos, carried out online among adults across 28 countries between February 22 and March 8, 2019, finds that while people worldwide have a myriad of concerns when it comes to environmental issues, climate change has climbed in importance since last year. Among the top findings are:

Over a third of people around the world think that global warming/climate change (37%), air pollution (35%), and dealing with the amount of waste we generate (34%) are among the top three environmental issues facing their country. Concern for these issues has widened since last year.

The U.S. is sixth worldwide in thinking that global warming/climate change is a top issue, surpassed by Japan (52%), Spain (51%), Germany (50%), Canada (48%), and South Korea (48%).

Americans are cautious when it comes to policy actions to deal with non-recyclable product waste. The U.S. is among the least supportive countries for all proposed policy actions aside from taxing non-recyclables and increasing government investments to improve recycling – though fewer than two in five support each.

Most would prefer making individual-level lifestyle changes such as re-using disposable products, rather than either avoiding purchases of disposables altogether or paying extra taxes and recycling fees.

Main findings

The world agrees about its concern of disposable, non-recyclable products. Globally, four out of every five people (81%) are concerned about such products, compared to only 15% who are not concerned about them.

Of the six governmental policy proposals surveyed, none found a global majority believing in their effectiveness.

The best-performing policies worldwide are forcing government spending to improve the range of



recyclable items (46%), taxing shops that use non-recyclable products (33%), and taxing these products to increase their price (30%). For each of the surveyed policies, a lower percentage of Americans think it would be effective than the global population.

People around the world have not moved significantly in their beliefs regarding potential policy actions since last year.

People are willing to take some specific actions to reduce waste, but are not willing to take many changes to their shopping habits.

Most people around the world are willing to re-use disposable items (56%) and buy products made from recycled materials (51%).

However, fewer than three in twenty people are willing to pay

more tax so recycling facilities can be improved (12%) or pay extra for goods without non-recyclable packaging (14%).

Globally, people are more willing this year than last to take some kind of personal action to reduce packaging waste – most drastically in their willingness to buy products made from recycled materials (51%, compared to 47% last year).

Most people believe someone or something has a responsibility for reducing unnecessary packaging, but are heavily divided over who or what that is.

A majority think that companies that produce packaged goods (23%), companies that sell packaged goods (10%), the government (6%), consumers (5%), or all of the above (47%) should take responsibility.

Only 1% believe nobody has a responsibility to do this, and 6% have no opinion or don't know.

The U.S. (5%) is among the last of all countries surveyed in thinking that consumers should take responsibility for reducing unnecessary packaging, ahead of only Argentina (4%), Great Britain (3%), Russia (2%), and Serbia (2%).

Globally, people are more concerned about environmental issues, have more belief in the efficacy of government action, and are willing to take more personal actions to help solve the problems – but are much less willing to assign responsibility for finding a solution – than last year.

The world is more concerned about what it perceives to be the top three environmental issues –

global warming/climate change (37%, up from 30%), air pollution (35%, up from 30%), and dealing with the amount of waste we generate (34%, up from 30%) – than it was in 2018.

Globally, more people think every policy surveyed would be more effective than thought so in 2018, with the biggest movers being a public information campaign (27%, up from 23%) and the government “naming and shaming” shops that use a lot of non-recyclable packaging (26%, up from 23%).

People are more willing to take action to reduce problems caused by non-recyclable packaging, including re-using disposable items (56%, up from 53%). A majority now is willing to buy products from recycled materials (51%, up from 47%).

Avengers: Endgame's \$60M Thursday box office bests Infinity War – and everyone else, too

The FINANCIAL

Marvel Studios' Avengers: Endgame is already putting in a world-beating performance at the box office, with a record-breaking gross of \$60 million from Thursday night screenings in the U.S., Disney announced Friday.

Boxoffice reports that the figure tops the previous domestic record-holder, 2015's Star Wars: The Force Awakens, which made \$57 million on the night before its official premiere date. And it's over 50% better than the Thursday total for the first half of the Infinity Saga's conclusion, Avengers: Infinity War, which came in at \$39 million a year ago.

The pre-release tracking for Endgame suggested that the film was poised to break all kinds of box office records, and with its domestic performance on Thursday and its international gross over the past two days, it seems well on its way to doing so. Endgame opened on Wednesday in 25 markets around



the world and 21 more on Thursday; Disney will bring it to eight other countries on Friday, including Mexico and India, alongside its official U.S. debut.

Through two days at the international box office, Disney estimates total sales of \$305 million, more than half of which – \$154.5 million – came from China, the world's sec-

ond-largest movie market. Endgame has opened at No. 1 in every market so far, and has set records as the film with the highest all-time single-day total in more than 15 countries, including the U.K. and Australia.

When Endgame tickets first went on sale earlier this month, it took only six hours for the movie to surpass The Force Awakens for the big-

gest first day of presale tickets in Fandango history – with five times as many tickets sold as for Infinity War. Disney said on Friday that Endgame is tracking ahead of Infinity War in all markets, and the company is surely eyeing many other box office records.

With reports by Polygon

Global Consumer Confidence Index - April 2019

The FINANCIAL – Consumer confidence up in France, Israel, and Spain; down in Latin America. Ipsos Global Consumer Confidence Index confirms a downward trend as it drops to 49.0. Over the past three months, the index has fallen by 0.9 point globally.

Notable decreases are seen in all three Latin American markets surveyed: Argentina (-5.6), Mexico (-3.9), and Brazil (-3.0). In Europe, only Spain (+2.5) and France (+2.2) are posting gains, while Poland (-2.8), Germany (-2.2), and Hungary (-1.7) are showing significant losses. Overall confidence in the United States is down 1.5 points from its level of three months ago. The Consumer Confidence Index, also called the “National Index,” reflects consumer attitudes on the current and future state of their local economy, their personal finance situations, their savings and their confidence to make large investments.

Out of the 24 markets included in the study, only three post significant three-month gains in their National Index: Spain, Israel (+2.4) and France.

During the same three-month period, eight countries have incurred significant losses: Argentina, Mexico, Brazil, Poland, South Africa (-2.3), Germany, Hungary, and the U.S.

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Government revenue and expenditure in EU

The FINANCIAL -- In the fourth quarter of 2018, seasonally adjusted total government revenue in the euro area amounted to 46.2 % of GDP, a decrease compared with 46.3 % in the third quarter of 2018. Total government expenditure in the euro area stood at 47.2 % of GDP, an increase compared with 46.8 % of GDP in the previous quarter.

In the EU-28, total government revenue was 45.0 % of GDP in the fourth quarter of 2018, a slight decrease compared to 45.1 % of GDP in the third quarter of 2018. Total government expenditure in the EU-28 was 45.9 % of GDP, compared with 45.6 % in the previous quarter.

From the fourth quarter of 2010 onwards, a decreasing trend in the level of the total expenditure-to-GDP ratio is visible, reflecting an absolute decrease in total expenditure as well as the effects of renewed growth in the EU and the euro area (all seasonally adjusted). Visible deteriorations in the second and fourth quarters of 2012, were caused by a series of one-off effects in several Member States.

In the fourth quarter of 2012 and in the second quarter of 2013, total expenditure increased slightly in both areas, influenced by interventions to support the banking sector in several Member States, notably in Spain in the fourth quarter of 2012 and in Greece in the second quarter of 2013. Supports for the banking sector in several Member States are also the main reason for the increase in the fourth quarter of 2015.

In the first quarter of 2016, mainly due to one-off effects in several Member States, seasonally adjusted government expenditure increased significantly. The decreases in EU and euro area deficits in the second half of 2017 and the first half of 2018 are mainly explained by decreasing expenditure in the face of stable revenue. In the third quarter of 2018, the euro area and EU seasonally adjusted deficit increased mainly due to the impact on the Cypriot deficit from the restructuring of the Cyprus Cooperative Bank Ltd (CCB), i.e. the sale of the good parts of CCB and the subsequent integration of the remaining public financial defeasance structure into general government accounts as well as a shift of some revenue in Germany towards the first and second quarters.

General government deficit

The difference between general government total revenue and total expenditure is known in ESA2010 terminology as general government net lending (+)/ net borrowing (-) (ESA2010 category B.9) and is usually referred to as government deficit (or surplus). This figure is an important indicator of the overall situation of government finances. It is usually expressed as a percentage of GDP.

In the fourth quarter of 2018, the seasonally adjusted general government deficit to GDP ratio stood at 1.0 % in the euro area (EA-19), an increase compared with 0.5 % in the third quarter of 2018. In the EU-28, the deficit to GDP ratio stood at 0.9 %, an increase compared with 0.5 % in the previous quarter. The increase in the euro area government



deficit between the second and the third quarter of 2018 is mainly explained by a one-off event in Cyprus as well as some events in Germany shifting tax revenue from the third quarter to the first and second quarter.

Due to the economic and financial crisis, which started in 2008, EU government's deficits steadily deteriorated and reached a record level of -7.0 % of GDP (seasonally adjusted) in the third quarter of 2010. The beginning of the consolidation of public finances which can be observed from the fourth quarter of 2010 onwards is due to a reduction in government expenditure not only in terms of GDP, but also in absolute terms as well as continued growth in absolute revenue (seasonally adjusted absolute numbers), which outpaced the growth in GDP.

The most recent quarters, marked decreases in the deficit are driven by reductions in total expenditure as a percentage to GDP and increases in total revenue as a percentage of GDP. In absolute terms, seasonally adjusted total expenditure remained stable in the EU and euro area, while seasonally adjusted total revenue continued to grow slightly exceeding the growth of nominal GDP. However, in the fourth quarter of 2018, the seasonally adjusted deficit of the euro area and the EU increased slightly.

Seasonally adjusted general government deficit

It should be noted that annualised seasonally adjusted data is not in general equal to annualised non-adjusted data. When using annualised figures, it is more appropriate to use non-seasonally adjusted data. Using seasonally adjusted data is, on the contrary, more appropriate when looking at

quarter-on-quarter growth rates.

For Belgium, the seasonally adjusted deficit increased in the third quarter of 2016, largely due to a combination of effects in total revenue - while capital taxes in 2015 were boosted by some temporary changes, they are declining in quarters of 2016 along with tax on income and wealth. However, increasing revenue was observed for indirect taxes and fee (motorway tolls). Revenue increased in the first half of 2018 due to increased advance payments for corporate income tax.

The large deficit for Slovenia in the fourth quarter of 2013 is mainly caused by capital injections to support financial institutions. This is also the reason for the relatively large deficit in the first quarter of 2013 and the fourth quarter of 2014. In addition to this, there are one-off effects in the third and fourth quarters of 2013 due to court decisions. In contrast to this, the third quarter of 2013 is positively influenced by dividends from the National Central Bank.

For Greece, the quarterly government surplus (non-seasonally adjusted) in the third quarter of 2016 is positively influenced by a general increase in tax revenue, but also a one-off effect due to an early payment deadline for a tax on property. Positive effects of tax revenue continued in the fourth quarter of 2016. The repayment of some areas in the second half of 2016 is neutral on the deficit, as expenditure had been accrued previously. In the fourth quarter of 2015, the deficit is strongly influenced by capital transfers to financial corporations.

For Hungary, the relatively large seasonally adjusted deficit in the fourth quarter of 2016 is caused by large capital transfers to other sectors, notably in the context of co-financing payments for EU funds.

For Austria, the large deficit in the fourth quarter of 2014 is largely due to a capital injection treated as capital transfer to implement the HETA defeasance structure, while the relatively low deficit in the fourth quarter of 2013 is due to an auction of mobile phone licences. The com-

paratively large deficit in the third quarter of 2015 is also due to capital injections treated as capital transfers in the context of HETA.

The decrease in the seasonally adjusted deficit in the third quarter of 2016 for Finland is to a large part due to increases in tax revenue.

For the United Kingdom, the deficit of several quarters since 2012 is positively influenced by dividends from the central bank (Bank of England Asset Purchase Facility).

For Malta, total expenditure in the first quarter of 2015 is positively influenced by a capital transfer to a public corporation. This negatively influences the deficit of the first quarter of 2015.

For Portugal, the decrease in the deficit in the fourth quarter of 2016 is influenced by one-off capital revenue. This is also the case for Ireland in the second quarter of 2016.

For Portugal, the large deficit in the fourth quarter of 2015 is explained by support to financial corporations.

For Iceland, the large reported surplus in the first quarter of 2016 is due to one-off stability contributions paid by the failed banks.

For Italy, the deficit (non-seasonally adjusted) is influenced negatively by operations connected to two bank liquidations in the second quarter of 2017.

For the Netherlands, the total revenue in the second and third quarters is negatively influenced by lower revenue from natural gas concessions. On the other hand, the revenue in the third quarter of 2018 is positively influenced by a fine recorded on a bank for money laundering. Total expenditure in the second quarter of 2018 is influenced by a capital transfer to companies holding natural gas concessions, reflecting the retroactive lowering of concession amounts for the first quarter of 2018.

For Latvia, several factors contributed to the deterioration in the balance (lower corporate tax revenue, revenue from EU increasing more in the second quarter as well as increases in oil and gas stocks).

For Cyprus, the deficit in the third quarter of 2018 is due to

the impact of the restructuring of the Cyprus Cooperative Bank Ltd (CCB), i.e. the sale of the good parts of CCB and the subsequent integration of the remaining public financial defeasance structure into general government accounts.

In the fourth quarter of 2018, improvements (decreases in deficit or increases in surplus) are noted in nine Member States, while increases in the deficit or decreases in the surplus are noted for eighteen Member States. The EU-28 increase in the deficit in the fourth quarter of 2018 is influenced by a deterioration in the government balance in Germany, as well as one-off events in Croatia and tax collection/ refund patterns in Portugal.

Quarterly gross debt for general government

At the end of the fourth quarter of 2018, the government debt to GDP ratio in the euro area (EA-19) stood at 85.1 %, compared with 86.4 % at the end of the third quarter of 2018. In the EU-28, the ratio decreased, from 81.0 % to 80.8 %. Compared with the fourth quarter of 2017, the government debt to GDP ratio fell in both the euro area (from 87.1 % to 85.1 %) and the EU-28 (from 81.7 % to 80.0 %).

Compared with the third quarter of 2018, four Member States registered an increase in their debt to GDP ratio at the end of the fourth quarter of 2018 and twenty three a decrease and the ratio remained stable in Malta. The increases in the ratio were recorded in Romania (+0.8 percentage points - pp.), the United Kingdom and Sweden (both +0.6 pp.) as well as Finland (+0.1 pp.). The largest decreases were recorded in Cyprus (-7.6 pp.), Ireland (-4.0 pp.), Portugal and Belgium (both -3.3 pp.).

Compared with the fourth quarter of 2017, three Member States registered an increase in their debt to GDP ratio at the end of the fourth quarter of 2018, twenty-four a decrease and France recorded no change. An increase in the ratio was recorded in Cyprus (+6.87 pp, influenced by repayment of debt towards international organisations and by issuance of bonds in the second and third quarters of 2018 in relation with the restructuring of CCB), Greece (+5.0 pp.), and Italy (+0.8 pp.), while the largest decreases were recorded in Lithuania (-5.2 pp.), the Netherlands (-4.5 pp.), Austria (-4.4 pp.), Malta (-4.2 pp.) and Latvia (-4.0 pp.).

The decrease of debt in Greece in the first quarter of 2015 is primarily due to the repayment of a loan from EFSF to the HFSF, representing unused funds for the recapitalisation of Greek financial institutions as well as repayments of loans granted by the IMF. The figures in the second quarter of 2016, and all quarters of 2018 are influenced by ESM disbursements.

The highest ratios of government debt to GDP at the end of the fourth quarter of 2018 were recorded in Greece (181.1 %), Italy (132.2 %), Portugal (121.5 %), Cyprus (102.5 %) and Belgium (102.0 %), and the lowest in Estonia (8.4 %), Luxembourg (21.4 %) and Bulgaria (22.6 %).

financial news

Where do our clothes come from?

The FINANCIAL

The EU Member States imported clothes worth €166 billion in 2018, just over half of which came from non-EU Member States (51%, or €84 billion). Compared to 2013, import of clothing to the EU Member States increased in value by 25%.

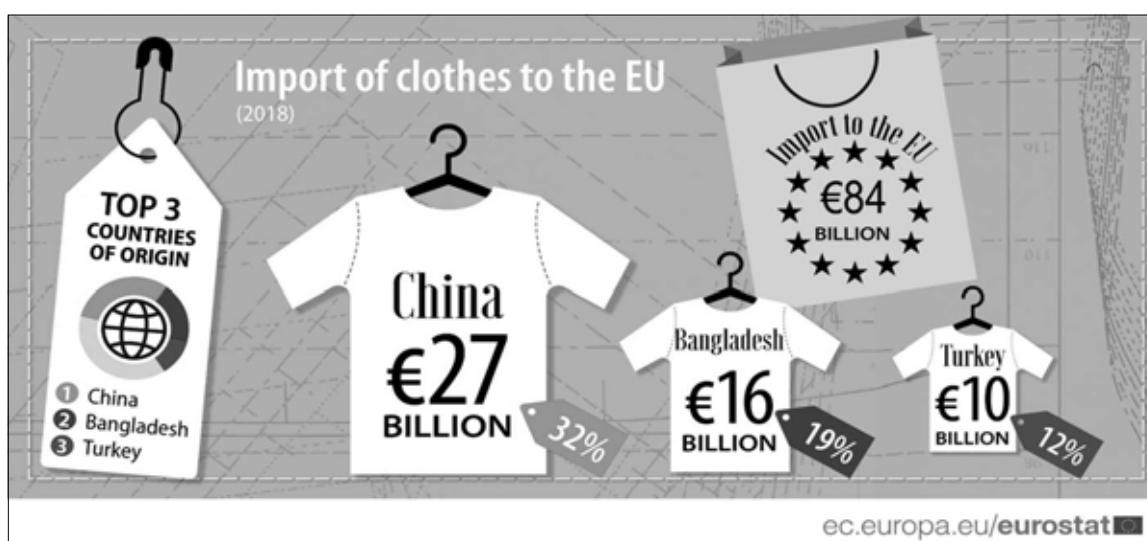
€116 billion of clothes were exported by the EU Member States, the majority of which went to other EU Member States (77%, or €89 billion). Compared to 2013, this represents a 36% increase in the value of EU Member States' total exports.

Germany, the largest importer of clothes

In 2018, €17 billion-worth of clothes were imported by Germany from non-EU Member States (20% of total extra-EU imports of clothes imports by value). This makes Germany the largest EU importer of clothing from non-EU countries, ahead of the United Kingdom (over €12 billion, 15%) and Spain (€12 billion, 14%), followed by France (€10 billion, 12%), the Netherlands (€10 billion, 11%) and Italy (€8 billion, 9%).

China, the main origin of imported clothes

Imports of clothes from non-EU countries came mainly from China (€27 billion, or 32% of total extra-EU clothes), Bangladesh (€16 billion, 19%) and Turkey (€10 billion, 12%), followed by India (€5 billion, 6%), Cambodia (€4 billion, 5%),



Vietnam (over €3 billion, 4%), Morocco and Pakistan (both €3 billion, 3%).

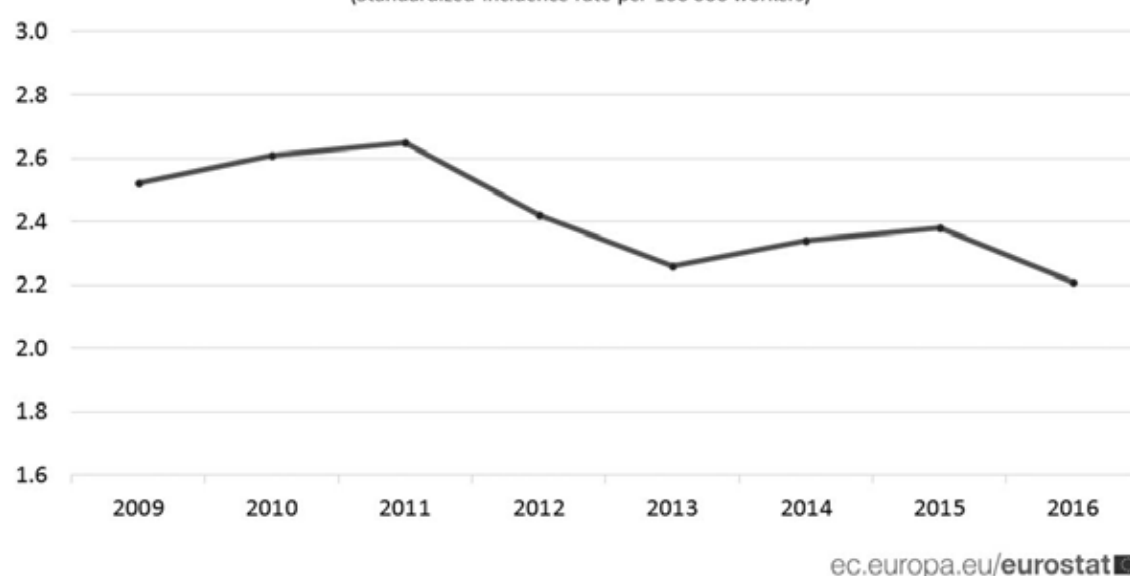
Italy, largest clothing exporters

Among EU Member States, Italy exported to non-EU Member States clothes worth €9 billion in 2018 (36% of total extra-EU exports of clothes by value). This makes Italy the largest extra-EU exporter of clothes, ahead of Germany and Spain (both €5 billion, 17%), followed by France (€3 billion, 12%) and the United Kingdom (€1 billion, 5%).

How safe are you at work?

Fatal accidents at work in EU, 2009-2016

(Standardized incidence rate per 100 000 workers)



The FINANCIAL -- In the European Union (EU) in 2016 there were 3 182 fatal accidents at the work place. This represents a standardised incidence rate of 2.2 fatal accidents per 100,000 workers, which is 12 % below the rate in 2009 (2.5 %).

Across the EU Member States, the lowest standardised incidence rates in 2016 were registered in the Netherlands (0.7 per 100,000 workers), Germany (1.1), Sweden (1.2) and the

United Kingdom (1.5).

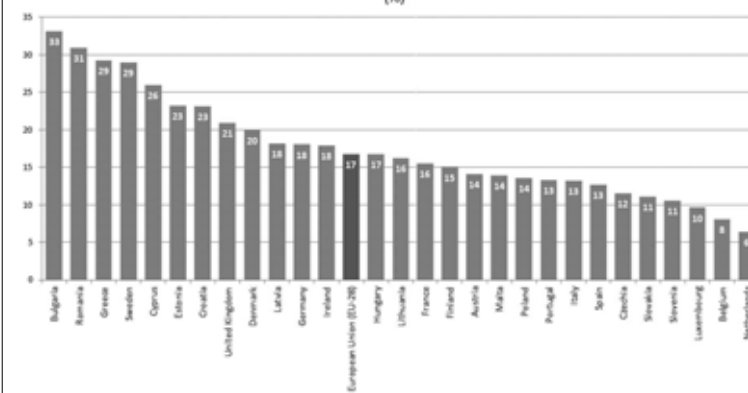
Fatal accidents are defined as those that lead to the death of the victim within one year after the accident took place. In more general terms, an accident at work is defined as an occurrence in the course of work, which leads to physical or mental harm of the person concerned. The number of accidents in a particular year is likely to be related to some extent to the overall level of

economic activity of a country and the total number of people employed in its economy. Standardised incidence rates aim to eliminate differences in the structures of countries' economies. They correspond to the number of accidents per 100 000 workers adjusted for the relative sizes of economic sectors at EU level. The economic activities covered in this news item are NACE sections A and C-N.

Female students under-represented in ICT

Proportion of ICT students who are female, 2016

(%)



The FINANCIAL -- About 1.3 million people were studying Information and Communication Technologies (ICT) in the European Union (EU) in 2016. Girls and women were largely in a minority,

accounting for only 17 % of all ICT students.

Across the EU Member States, their share ranged from less than 10 % in Netherlands (6%) and Belgium (8 %) to over 30 % in Bulgaria (33 %) and Romania (31 %).



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financial news

Four in ten unaccompanied minors applied for asylum in Germany or Italy

Almost 20 000 unaccompanied minors among asylum seekers registered in the EU in 2018

The FINANCIAL

In 2018, 19 700 asylum seekers applying for international protection in the Member States of the European Union (EU) were considered to be unaccompanied minors. This is down by more than one third compared with 2017 (31 400) and below the 2014 level (23 100), when the first increase was observed after remaining at a relatively constant level of around 12 000 per year between 2008 and 2013. In 2018, at the EU level, unaccompanied minors accounted for 10% of all asylum applicants aged less than 18.

In 2018, a majority of unaccompanied minors were males (86%). Three quarters were aged 16 to 17 (14 800 persons), while those aged 14 to 15 accounted for 17% (3 400 persons) and those aged less than 14 for 7% (1 400 persons). Over half of asylum applicants considered to be unaccompanied minors in the EU in 2018 were the citizens of six countries: Afghanistan (16%), Eritrea (10%), Pakistan or Syria (both 7%) and Guinea or Iraq (both 6%).

In 2018, the highest number of asylum applicants considered to be unaccompanied minors was registered in Germany (4 100 unaccompanied minors, or 21% of all those registered in the EU Member States), followed by Italy (3 900, or 20%), the United Kingdom (2 900, or 15%) and Greece (2 600, or 13%). Among the Member States with more than 1 000 asylum seekers considered to be unaccompanied minors in 2018, numbers rose most compared with the previous year in the United Kingdom (700 more unaccompanied minors in 2018 than in 2017, or +30%) ahead of Greece (200 more unaccompanied minors in 2018 than in 2017, or +8%). By contrast, the largest decreases among Member States with more than 1 000 asylum seekers were recorded in Italy (6 100 fewer unaccompanied minors in 2018 than in 2017, or -61%) and Germany (5 000 fewer, or -55%).

Over half of asylum seekers below 18 years old were unaccompanied minors in Slovenia and Bulgaria

The largest shares of unaccompanied minors among all minor asylum applicants in 2018 were recorded in Slovenia (70%) and Bulgaria (57%), followed by the United Kingdom (31%), Romania (25%), Cyprus (24%), Denmark, the Netherlands and Slovakia (all 22%).

Above half of unaccompanied minors were citizens of six countries: Afghanistan, Eritrea, Pakistan, Syria, Guinea or Iraq.

Of the 3 200 Afghans considered to be unaccompanied minors in the EU in 2018, almost half were registered in two countries: Greece (800 applicants) or Germany (700). Afghans represented the most numerous citizenship of asylum seekers



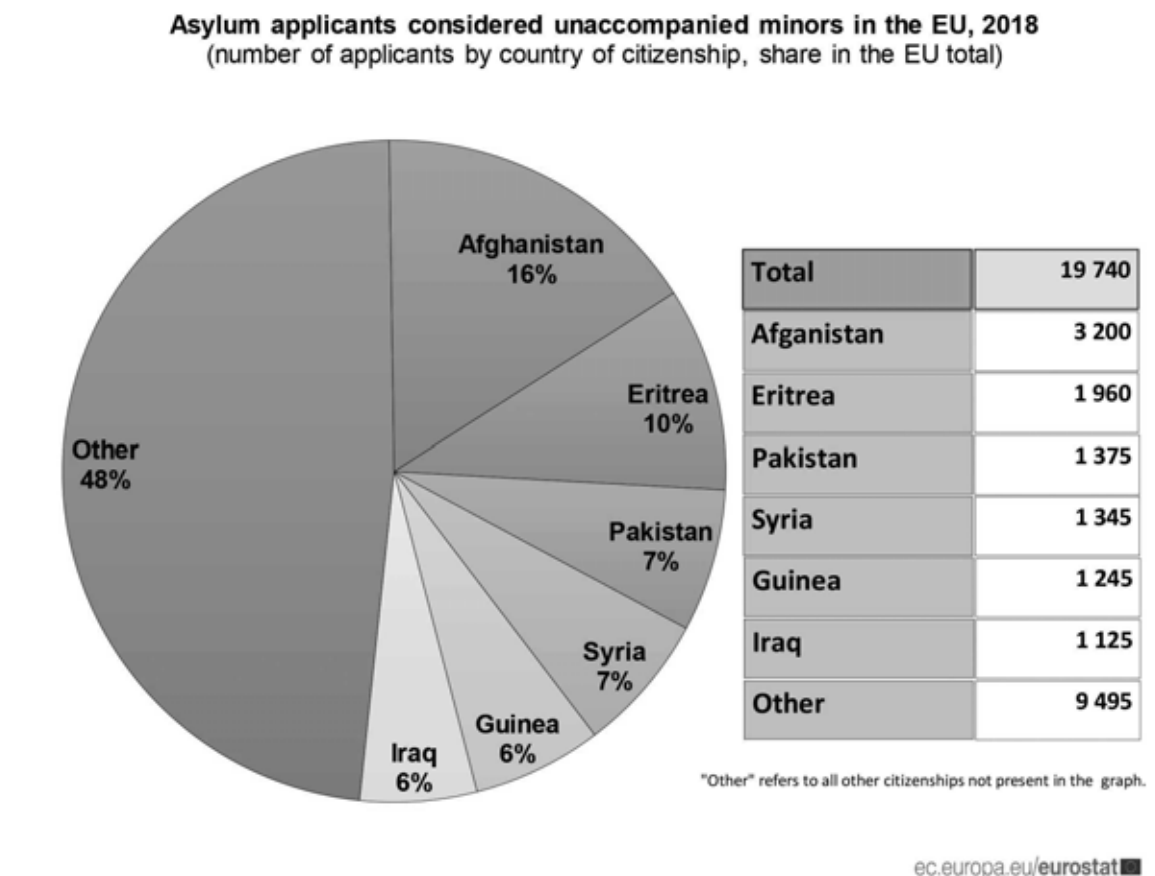
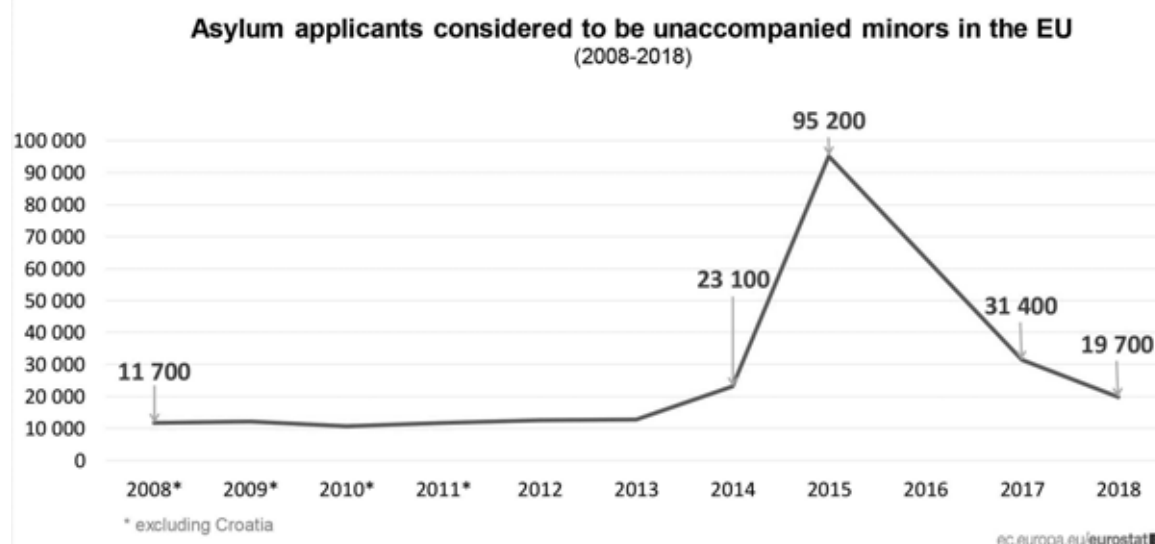
Migrants in Mediterranean Sea [Tamer Yazar/Twitter]

considered to be unaccompanied minors in eight EU Member States.

Of the 2 000 Eritreans seeking protection in the EU Member States and considered to be unaccompanied minors in 2018, 3 in 10 applied

in the United Kingdom (600), while of the 1 400 Pakistanis, 6 out of 10 applied for asylum in Greece (800). Of the 1 300 Syrians registered as unaccompanied minors 3 in 10 applied in Greece (400), while of the

1 200 Guineans more than 70% applied in Germany (500) or Italy (400). More than half of the 1 100 Iraqis registered as unaccompanied minors, applied in the United Kingdom or Germany (both 300).



Putin Repeating Georgian Scenario of Passportization in Ukraine

Continued from p. 9

"If we meet someday, begin some talks -- and I'm not ruling this out -- then we must talk about how to end the conflict in southeastern Ukraine in the first place," he was quoted as saying.

Observers point to other frozen conflicts in former Soviet republics where Russia has granted citizenship to residents of separatist-held territory in order to choreograph demographic changes over time and justify future military operations.

In 2002, the Kremlin began granting Russian citizenship to residents of Georgia's breakaway regions of Abkhazia and South Ossetia. That policy that helped raise the number of Russian passport holders there from about 20 percent to more than 85 percent of the population.

Then, when Russia went to war against Georgia in August 2008, the Kremlin justified its deployment of Russian military forces in Abkhazia and South Ossetia by saying those forces were needed to protect Russia citizens in the separatist regions.

Russian media reports say Russia also has issued its passports to nearly half of the residents of Moldova's Moscow-backed breakaway region of Transdniestria.

Russian Passportisation before the August war in 2008


In Georgia this occurred in South Ossetia and Abkhazia, where residents continued to be the citizens of Soviet Union and kept Soviet passports even a decade after the break-up of the Soviet Union. In 2002, a new Citizenship Law of Russia simplified acquisition of citizenship for any citizen of the Soviet Union, regardless current place of residence. In Abkhazia and South Ossetia, Russian nationalist non-governmental organizations such as the Congress of Russian Communities of Abkhazia carried papers to a nearby Russian city for processing so that residents did not need to travel to obtain Russian citizenship.

By June 25, 2002, approximately 150,000 Abkhazians had gained Russian citizenship in addition to the 50,000 who already possessed it, with the blessing of authorities in Sukhum. The Georgian Foreign Ministry denounced the passport allocation as an "unprecedented illegal campaign".

For the Russian government, two benefits are associated with issuing passports to separatists. First, it is seen as an effective means to strengthen the loyalty of Abkhazian and South Ossetian citizens to Russia and by extension to weaken their affiliation to Georgia. Moreover, the issuing of passports has made it possible for Russia to invoke a responsibility-to-protect argument, as it did during the conflict with Georgia in August 2008 (Littlefield 2009 Littlefield, Scott. 2009. "Citizenship, Identity and Foreign Policy: The Contradictions and Consequences of Russia's Passport Distribution in the Separatist Regions of Georgia." Europe-Asia Studies

With reporting by RFE/RL's Ukrainian, Georgian, and Moldovan services, Reuters, and AP

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