FactCheck

GRASS FACTCHECK

Kakha Kaladze:

Minister of Energy and Natural Resources of Georgia

"USD 640 million will be invested in energy this year."

Teona ABSANDZE
FactCheck

The Minister of Energy and Natural Resources of Georgia, Kakha Kaladze, on air on Rustavi 2 declared:"In 2015 alone, approximately USD 640 million will be invested in Georgia's energy field."

FactCheck took interest in the Minister's statement and sought to verify the amount of investments expected in the field of energy for 2015.

According to the information of the Ministry of Energy and Natural Resources of Georgia, USD 300 million in investments are expected as a part of the framework of the expansion of the South Caucasus pipeline system throughout 2015.

The South Caucasus pipeline ensures the transportation of natural gas from the Shah-Deniz natural gas field from the Azerbaijani sector of the Caspian Sea through the territory of Georgia to the Georgia-Turkey border. As a part of the framework of Shah-Deniz Stage II, the expansion of the South Caucasus pipeline is being planned. The South Caucasus pipeline expansion project establishes the first link of a chain of pipelines which constitutesthe New Southern Gas Corridor and which will ensure the transportation of Caspian natural gas to Europe. The project is expected to be completed by 2018.

British Petroleum operates the pipelines on Georgia's territory, including the South Caucasus pipeline. According to the company's information, approximately USD 2 billion will be invested in Georgia as a part of the framework of Shah-Deniz Stage II. Of that amount, 20% will be spent to purchase goods and services from local suppliers. Additionally, Georgia will receive 5% of the total amount of transited natural gas free-of-charge.

According to the information published on the website of the Ministry of Energy and Natural Resources of Georgia, Shah-Deniz Stage II will see USD 2 billion invested in Georgia whilst goods and services in the amount of USD 400 million will be purchased in the country. According to the information published on the website of the Ministry of Energy and Natural Resources of Georgia in December 2014, the Government of Georgia was expecting USD 400-700 million in investments as a part of the framework of Shah-Deniz Stage II.

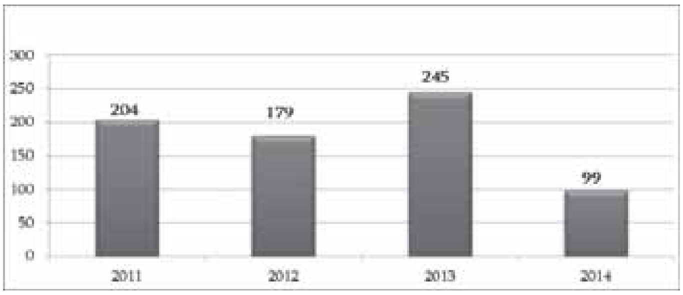
At the same time, experts assert that investments in the amount of USD 2 billion; that is, USD 500 million in new investments coming annually for the next four years is unrealistic. At the end of this year, **FactCheck** will reinvestigate this topic in order to verify the real volume of investments made in 2015 as a part of the framework of the South Caucasus pipeline expansion project.

In 2015, an additional GEL 755 million (approximately USD 335 million) in investments are expected. However, at the present moment the share of foreign direct investments in the total amount of investments is unknown.

The highest amount of foreign direct investments in the period of 2011-2013 was invested in the field of energy. The previous year was unsuccessful in this regard. According to the data of the National Statistics Office of Georgia, a total of USD 99 million was invested in the field of energy throughout 2014 which is 60% less than the number registered in 2013. The number for 2014 also significantly lags behind the numbers registered both in 2011 and in 2012.

Of particular note is that the real production in the electricity and natural gas production and distribution sector decreased by 2.8% (GE 15 million). The amount of decrease in this sector parallels only that of the number registered in 2004.

Graph 1: Foreign Direct Investments in the Field of Energy (USD million)



CONCLUSION

THE EXPECTED AMOUNT OF TOTAL INVESTMENTS IN THE FIELD OF ENERGY FOR 2015 ALMOST MATCHES THE NUMBER GIVEN BY THE MINISTER OF ENERGY AND NATURAL RESOURCES OF GEORGIA. TAKING INTO CONSIDERATION THE FACT THAT KAKHA KALADZE'S STATEMENT IS A PROGNOSIS, FACTCHECK WILL REINVESTIGATE THIS TOPIC AT THE END OF 2015. AT THE PRESENT MOMENT, FACTCHECK CONCLUDES THAT KAKHA KALADZE'S STATEMENT IS TRUE.

TRUE

EUROPEAN ENDOWMENT FOR DEMOCRACY
G|M|F The German Marshall Fund of the United States STRENGTHENING TRANSATLANTIC COOPERATION
Kingdom of the Netherlands

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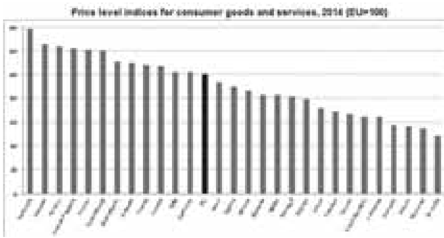
Clothes Most Expensive in Sweden, Cheapest in Hungary

The FINANCIAL



In 2014, price levels for consumer goods and services differed widely in the European Union (EU): Poland was cheapest both for food and consumer electronics, while alcohol & tobacco as well as restaurants & hotels were the least expensive in Bulgaria. Prices for clothing were lowest in Hungary, while the Czech Republic was least expensive for both consumer electronics and personal transport equipment such as cars. Overall, price levels ranged from 48% of the EU average in Bulgaria to 138% in Denmark.

These data on consumer price levels in 2014 come from an article published by Eurostat.

FOOD PRICE LEVELS HIGHEST IN DENMARK, LOWEST IN POLAND

Price levels for food & non-alcoholic beverages in 2014 ranged from 61% of the EU average in Poland to 139% of the average in Denmark. Differences in price levels between Member States were less pronounced for this product group than for the total of goods and services. Price levels for alcoholic beverages & tobacco varied by one to three, the lowest prices being registered in Bulgaria (58% of the average) and Hungary (65%), and the highest in Ireland (170%) and the United Kingdom (165%). It should be noted that this large price variation is mainly due to differences in taxation of these products among Member States.

CLOTHES MOST EXPENSIVE IN SWEDEN, CHEAPEST IN HUNGARY

Clothing is one of the groups of products showing a smaller price variation among Member States, with Hungary (70% of the average) cheapest and Sweden (121%) most expensive. Consumer electronics is another group of products where prices differed less among Member States, ranging from 85% of the average in both the Czech Republic and Poland to 116% in Malta.

With the noticeable exception of Denmark (151% of the average), price differences among Member States were also limited for personal transport equipment, from 75% in the Czech Republic to 114% in Portugal and 117% in the Netherlands. In contrast, prices for restaurants & hotels showed more significant variations, with price levels ranging from 46% of the average in Bulgaria to 147% of the average in Denmark.

EU28 current account surplus €14.9 bn

The FINANCIAL -- The EU28 seasonally adjusted external current account recorded a surplus of €14.9 billion in April 2015, compared with a surplus of €11.0 bn in March 2015 and a surplus of €4.9 bn in April 2014, according to estimates from Eurostat, the statistical office of the European Union.

In April 2015, compared with March 2015, based on seasonally adjusted data, the surplus of the goods account grew (+€10.8 bn compared with +€4.3 bn) and the deficit of the secondary income account fell slightly (-€7.6 bn compared with -€7.8 bn). The surplus of the services account decreased (+€12.3 bn compared with +€14.0 bn) while the surplus of the primary income account moved into deficit (-€0.7 bn compared with +€0.5 bn).

The 12-month cumulated current account for the period ending in April 2015 recorded a surplus of €122.0 billion, compared with €115.7 billion for the 12 months to April 2014. The surplus of the goods account grew (+€61.3 bn compared with +€36.8 bn) and the surplus of the services account rose slightly (+€151.8 bn compared with +€150.8 bn), while the surplus of the primary income account moved into deficit (-€11.0 bn compared with +€3.1 bn) and the deficit of the secondary income account increased (-€80.1 bn compared with -€75.0 bn).

BSTDB Partners with TBC Bank to Support Small Business in Georgia

The Black Sea Trade and Development Bank (BSTDB) provided a USD 10 million SME Facility to the Georgian TBC Bank. The loan proceeds will finance investment and working capital of small- and medium-sized enterprises (SMEs) in Georgia, particularly those in the real sectors of economy, stimulating regional trade and employment.

â€œWe are pleased to enhance our partnership with TBC Bank, which started in 2003. This third SME loan agreement demonstrates BSTDBâ€™s consistent support to the Georgian economy and banking sector. Facilitating small business development as a backbone of market economy will remain our strategic priority in Georgia and other countries of the Black Sea region in the years to come", said Ihsan Ugur Delikanli, BSTDB President.

â€œWe are delighted to continue our partnership with Black Sea Trade and Development Bank. This facility will help TBC Bank to strengthen its position in the SME segment by expanding lending to small and medium size enterprises. This transaction reflects both institutionsâ€™ commitment to continue cooperation and we look forward to more years of productive partnershipâ€ commented Vakhtang Butskhrikidze, CEO of TBC Bank.

The Black Sea Trade and Development Bank (BSTDB) is an international financial institution established by Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey, and Ukraine. The BSTDB headquarters are in Thessaloniki, Greece. BSTDB supports economic development and regional cooperation by providing loans, credit lines, equity and guarantees for projects and trade financing in the public and private sectors in its member countries.

Golden Aging in Europe and Central Asia

The FINANCIAL

In Europe and Central Asia, societies are aging, but individuals are not - a demographic trend driven by declining fertility rates rather than increased life expectancy.

Individual adaptation supported by bold policy action in areas such as health, education and labor markets can help foster more active, healthy, and productive societies, World Bank new report .

In Greek mythology, the "Golden Age" referred to an idyllic period of peace and stability when people lived long, healthy, active, and prosperous lives. Prometheus, the Titan god of forethought, is said to have promised, "A new Golden Age shall come, brighter and better by far than the old!"

In this ancient fable, stable populations and long lives were central elements of flourishing societies free of disease and poverty.

Nowadays, stagnant populations and aging societies are often seen as a challenge or threat, rather than an opportunity – but the current aging of societies in Europe could bring citizens closer than many expect to the ideal described in mythology.

AGING SOCIETIES

The average age of the population in Europe and Central Asia today is 37 years old – eight years older than the average age six decades ago. This development is most advanced in the western part of the region, but the relatively young populations in Turkey and in Central Asia are expected to quickly follow this demographic trend.

The main reason behind population aging in the region is not that people are living longer, but that they are having fewer children. Since the 1970s, fertility rates have declined dramatically. Outward migration of young people is also playing a role in shaping the population structure in several countries.

The potential impacts of aging societies are often cause for apprehension. Working individuals, for example, are concerned about bearing the burden of financing health and pension systems that will have to support more elderly people.

Such concerns are warranted – and governments are tasked with helping to address them in a socially responsible and fiscally prudent way. The task is immense and challenging, but not impossible. Indeed, aging societies present opportunities to implement important socioeconomic reforms that can ultimately help foster a more active, healthy, and productive society.

HEALTH AND EDUCATION

While populations in Europe and Central Asia are aging overall, individuals are not. Life expectancy – especially for men – has even declined over the past five decades in many countries. There is still a long way to go in reducing cardiovascular disease, cancers, and lifestyle-related illnesses.

Individual behavioral change is paramount to achieving a "cardiovascular revolution," but health systems can support this shift with a greater focus on preventive care, primary care, and diagnostics. Effective, low-cost preventative measures include tobacco and alcohol regulation, vaccination programs, improved diets, and exercise. It will be important, however, for policies to focus on population groups at the lower end of the socioeconomic welfare spectrum, where the incidence of cardiovascular disease is often highest.

From a fiscal perspective, a greater focus on illness prevention would significantly reduce the costs of old-age care. Ensuring that people's later years are healthy will also be good for economic growth. An older population that is healthy can stay longer in the labor force, contribute more, and incur less health care expenditure.

There is significant scope for improvement in education – especially when the region is compared with Western Europe and Asia. Competencies in reading, mathematics, and science among 15-year-olds remain well below OECD averages.

In an aging society, a smaller portion of young people can provide an important opportunity to improve the quality of education. Governments can use the same share of income to invest in more and better quality education for the individual..

NEW GOLDEN AGE

According to legend, Prometheus was always looking to the future and preparing for what might happen tomorrow, next year, or in a hundred years. To fully prepare for the new demographic reality and to seize the potential opportunities, policymakers across Europe and Central Asia would do well to follow his example. Perhaps then, all citizens can look forward one day to their Golden Age of aging.

Tbilisi Flood Damage Exceeds GEL 100 Million

Continued from p. 6

were no more dangerous animals on the run.

According to official information, both a tiger and a hyena are still missing from the Zoo.

COMPANIES DESTROYED BY THE FLOODING

The natural disaster has damaged various Georgian companies: meat production company "Vake"; distribution company "Eliz"; restaurant "Matrioshka"; accessories companies Swatch and Art Time, the Georgian-American school "School of the Future"; and entertainment centre "Happy Lounge".

Out of five warehouses in the area, three were completely flooded. One was just partially damaged, while the last one was completely undamaged," said Temur Nadirashvili, Director of the distribution company Eliz.

"The bottom floor has been completely covered in sand. Cleaning up processes are still underway. The full extent of the damage has not yet been assessed. Representatives of the Revenue Service will census products, as they are excised goods. The company plans to continue with operations according to plan. If necessary we will borrow money from the bank," said Nadirashvili.

Restaurant Matrioshka, located on Hero Square, at the epicentre of the disaster, has been particularly damaged. Both storeys of the restaurant are completely flooded. In addition, the company lost an employee in the tragedy. A kitchen worker died during the flood.

"The damage has been too great. We are not counting the lost, but rather the remaining inventory," said Manana Eloshvili, Director at Matrioshka.

According to Levan Chkhaidze, Director of the meat production company Vake, finished products, as well as raw materials, have been fully destroyed. In his words, the loss amounts to millions.

HUNDREDS OF VOLUNTEERS TURN OUT TO HELP THEIR CITY

The Georgian people have responded to the disaster admirably. Thousands of volunteers have come to Tbilisi to help with the recovery. They have shovelled mud and raised money to help the victims of the flood. One volunteer, 23-year-old Kote Mikadze, described the volunteer work as follows: "Our main mission now is to clean the flooded areas that are full of mud and debris. I am working in the territory of the zoo". Nina, 19, said that she couldn't just sit at home and watch everything on the TV. "This is our city and I feel obliged to be here right now," she said.

Georgian companies from various sectors have been donating hundreds of thousands to a specially opened account. The President of National Bank of Georgia has promised to bring relief to those bank borrowers affected by the flooding.

Despite the tragedy of the event, the 13 June flooding has revealed an unprecedented display of unity from the nation, one that is standing together to rebuild its city.

GRASS FACTCHECK

Tea Tsulukiani:

Minister of Justice of Georgia

"The decrease in tourism and the economic problems are not caused by the imposition of visa regulations... These regulations were required by the European Union."

FALSE

Lasha SENASHVILI
FactCheck

On 15 May 2015, the Minister of Justice of Georgia, Tea Tsulukiani, on air on Palitra TV's *Resume*, stated: "The conclusions of specialists have demonstrated that the visa liberalisation process did not bring negative results." Ms Tsulukiani also emphasised that the visa regulations comprised a demand of the European Union.

The new Law of Georgia on the Legal Status of Aliens and Stateless Persons has been in force since 1 September 2014. As a result, the entry of foreigners to Georgia has become considerably difficult. Further, a foreigner is allowed to stay in Georgia without obtaining a visa for a 90 out of 180-day period instead of the 360 days as it was in the past. Of note as well is that Georgia terminated its visa-free regime with 24 countries. However, on the initiative of the Ministry of Economy and Sustainable Development, the Parliament of Georgia has now simplified the visa regulations for the second time in response to the decrease in the country's economic growth rate.

There were 5,493,492 visitors to Georgia in 2014 which constitutes a 2% growth as compared to 2013. The first four months of 2015 are characterised by a decreased number of visitors. Compared to the first four months of 2014 the number of visitors to Georgia has dropped by 2%.

As a result of the imposition of the new visa regulations from 1 September 2014, Georgia maintains a visa-free regime with 94 countries instead of the previous 118. At the present moment, visas are required for citizens of 99 countries. Of these, Georgia has no diplomatic representation or consulate in 92. In order to better understand the impact of the new visa regulations upon the number of visitors, **FactCheck** analysed the top five countries in terms of tourist numbers and for which Georgia abolished its visa-free regime as of 1 September 2014. As illustrated by the table 1, the number of tourists from the top five countries decreased sharply after the imposition of the new visa regulations.

Table 1:

In total, there were 78,000 less tourists in Georgia in 2014 as compared to the previous year. Aside from the imposition of the new visa regulations, the negative processes taking place and further unfolding in the region also contributed to the decrease in the number of tourists. There were 166,245 less visitors from those countries with which Georgia has maintained a visa-free regime.

The majority of experts agree that the visa regulations had a negative impact upon Georgia's investment environment because the regulations concerned those foreigners in particular who resided on the territory of Georgia and who were interested in obtaining a long-term visa or a residence permit. The new amendments to Georgia's visa regulations were negatively assessed by Transparency International – Georgia as well. According to the organisation, the new law makes it unreasonably more difficult for foreign citizens to enter Georgia and obtain a residence permit whilst also creating unjustified problems for Georgia-bound investors and students. For instance, several investors have already contacted Transparency International – Georgia about their experiences of having been directly affected by the new law and rejected in their applications to obtain temporary residence permits.

Commercial and Economic Adviser of the Embassy of China to Georgia, Loui Bou, in his interview with *The Financial*, has also spoken about the problems resulting from the new visa regulations. According to Mr Bou, 30 delegations from China visited Georgia in 2014 and started to prepare the ground for investments in various fields. However, these delegations lost trust in Georgia owing to the new visa regulations. He assesses that the new visa regulations might pose problems not only for future investors but also for those companies which are already established in the Georgian market.

According to Tea Tsulukiani, the adoption of the new visa regulations as designed by the Ministry of Justice, was an EU requirement. The visa liberalisation action plan was drafted as a part of the framework of the EU-Georgia visa dialogue. One part of the action plan covers migration management and those changes which Georgia was required to implement; specifically, the envisaged consolidation of the legislative and institutional framework of Georgia's migration policy with that of the EU. However, the specific requirement that those changes had to be enacted in the way which was done by the Ministry of Justice of Georgia was not indicated in the action plan or in the EU-Georgia Association Agreement. Therefore, the EU left Georgia considerable discretion to strengthen its immigration policy and combat illegal migration.

Table 1: Number of Tourists (2012-2013) and Difference (%) in September-December 2012-2014

Year	Iran		Iraq		Egypt		China		India	
2012	25,011		4,487		1,437		3,792		3,193	
2013	25,244	0.9%	15,850	25%	2,708	88%	3,129	17%	2,386	33%
2014	3,799	-84%	437	-97%	430	-84%	1,811	-42%	1,728	-27%

CONCLUSION

FACTCHECK CONCLUDES THAT TEA TSULUKIANI'S STATEMENT: "THE DECREASE IN TOURISM AND THE ECONOMIC PROBLEMS ARE NOT CAUSED BY THE IMPOSITION OF VISA REGULATIONS... THESE REGULATIONS WERE REQUIRED BY THE EUROPEAN UNION," IS FALSE.

FALSE

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