FactCheck

GRASS FACTCHECK

Nino Burjanadze:

“The Government of Georgia has decided to stop supplying the population of Abkhazia with electricity.”

LIE

Valeri KVARATSKHELIA
FactCheck

On 17 February 2016, regarding the difficulties in supplying Abkhazia with electricity, Democratic Movement Head, Nino Burjanadze, stated: “Resolving the problems of Abkhazia and Samachablo is not even a priority for this government, let alone the main one. The government’s decision, according to which the supply of electricity to Abkhazia will be halted, proves this once again.”

FactCheck looked into this issue.

According to a verbal agreement reached in 1997, about 40% of the electricity generated by the Inguri HPP would be used to supply occupied Abkhazia whilst the remaining 60% would be used according to the needs of the rest of Georgia. This energy is the only local source for supplying the Autonomous Republic of Abkhazia with electricity. The Inguri HPP’s dam is situated in the Municipality of Tsalenjikha whilst the generators are located in the Municipality of Gali. Hence, the two essential units comprising the entire system are located on opposite sides of the occupation line.

The consumption of electricity on the territory of occupied Abkhazia increased over time. Given the disorderly manner of accounting and the high level of energy losses caused by the faulty internal network, the 40% envisaged by the agreement turned out to be insufficient in order to fully meet consumption needs. Hence, a decision was made to supply more than 40% of the electricity to Abkhazia in the peak periods of the year whilst the initially agreed 40% would be supplied during non-peak periods. With the exception of 2013, the annual share of electricity consumed by the Autonomous Republic of Abkhazia exceeded 40% of production during the years 2011 to 2015. Furthermore, almost the whole amount of electricity generated by the Inguri HPP went to the occupied region during the peak periods in the winter season. According to the data of January 2016, about 94% of the total production was spent on supplying the Autonomous Republic of Abkhazia.

The Autonomous Republic of Abkhazia’s consumption grew in parallel with the dam’s decreased generating output. As a result, the overall amount of electricity generated by the Inguri HPP was insufficient to meet Abkhazia’s consumption needs which led to the necessity of supplying the region according to a delivery schedule. Given the lowered influx characteristic of the winter season, the level of water in the Inguri dam was lowered to 443.62 metres above sea level in February 2016. According to the Inguri HPP’s technical parameters, a minimum water level for safe operation is 440 metres although it is possible to continue operation until a level of 420 metres in an emergency mode. According to the statement of an Inguri HPP spokesman, Levan Mebonia, the decision was made to operate at the lower water level although consumption needs could only be met until February 2016 even with February’s additional water influx.

Given this situation, there was a danger that the Autonomous Republic of Abkhazia would be left without electricity; however, according to the decision of the central government of Georgia, the electricity necessary for Abkhazia’s consumption needs would be imported from the Russian Federation. This political decision is a continuation of the current practices (the consumption needs of the occupied region have been met by importing electricity from Russia on numerous occasions).

Of additional particular mention is the process’s financial aspect. The Inguri HPP tariff for 1 kWh of energy generated is 1.187 *tetri* and the Vardnili HPP tariff for 1 kWh of energy generated is 1.17 *tetri* although the Abkhazian side does not pay for the electricity it consumes from these HPPs. As a result, the Inguri HPP’s income per generated kWh is approximately 0.71 *tetri* according to the 40:60 distribution agreement and this income remains on the decrease with the growth of the Autonomous Republic of Abkhazia’s electricity consumption.

It should also be noted that Georgia does not possess any alternative inexpensive resource to cover the share of electricity which the Autonomous Republic of Abkhazia uses at the expense of that which is directed to the rest of Georgia. Georgia is, therefore, forced to import electricity from the Russian Federation at a much higher price in order to rectify the shortfall.

Table 1: Share of Consumption of the Autonomous Republic of Abkhazia in the Combined Amounts of Electricity Generated by the Inguri HPP and the Vardnili HPP

Year	Consumption	Combined Production of Inguri and Vardnili HPPs	Share in the Overall Production
2009	1,358.30	3,502.40	38.78%
2010	1,377.10	5,032.50	27.36%
2011	1,613.37	3,845.86	41.95%
2012	1,533.66	3,759.32	40.80%
2013	1,605.28	4,272.33	37.57%
2014	1,638.60	3,966.00	41.32%
2015	1,797.20	3,905.90	46.01%

Source: Electricity Market Operator

CONCLUSION

HENCE, **FACTCHECK** CONCLUDES THAT NINO BURJANADZE’S STATEMENT IS A **LIE**.

LIE

Real Estate Investment Activity at Near-Record Levels

The FINANCIAL

Despite recent economic and geopolitical headwinds, global real estate investment remains at near-record levels, according to JLL’s Investment Intensity Index which compares the volume of direct real estate investment in a city over a three-year period relative to the city’s current economic size.

Total direct real estate investment volumes in 2015 reached US$704 billion, only 7% below the all-time high in 2007 (US$758 billion), with the strength of the U.S. dollar in 2015 understating the true level of market activity; at fixed exchange rates, full-year 2015 volumes would have been a record US$765 billion. While global volatility may contribute to a more cautious start to 2016, further growth to US$720-730 billion is expected over the year as institutional investors continue to allocate significant capital to real estate.

While some ‘Emerging World Cities’ such as Shanghai and Beijing continue to attract substantial amounts of global capital, direct commercial real estate investment into emerging markets overall fell by one-third in 2015 to 5.5% of total global volumes, impacted by factors such as China’s slowdown, lower commodity prices and the volatility of emerging market currencies. Instead, investors are showing considerable interest in ‘New World Cities’, small to medium-sized cities that are garnering significant attention on the back of transparent, open markets and favourable infrastructure and liveability platforms, many of which are achieving global reach through specialisation and innovation.

‘New World Cities’ dominate the Investment Intensity Index

The latest JLL Investment Intensity Index highlights that while investor demand for prime assets in the world’s most globalised urban economies continues to be strong, with the ‘Established World Cities’ of London (1st), Sydney (4th), New York (11th) and Paris (13th) all featuring in the Top 20, investors are increasingly targeting smaller, innovation-rich cities in open, transparent markets.

The Investment Intensity Index Top 20 is dominated by these dynamic ‘New World Cities’, including Oslo (2nd), Munich (3rd), Honolulu (5th), Copenhagen (6th), Auckland (7th), Frankfurt (8th), San Jose (9th), Melbourne (10th), Stockholm (12th), Boston (14th), Dublin (15th), San Francisco (16th), Austin (17th), Edinburgh (18th), Brisbane (19th) and Berlin (20th). Many of these cities are building vibrant economies and real estate markets through technology and their ability to transform and adapt to a constantly changing socio-economic landscape. This agility and resilience has enabled several to also feature in the top tier of this year’s JLL City Momentum Index, which highlights the most world’s most dynamic urban economies and real estate markets.

European cities account for half of the Top 20 markets

European cities with robust infrastructure, sustainability and technology credentials account for a disproportionate share of global real estate investment relative to their economic size, with cities from the region making up half of the Top 20. London heads the global rankings with commercial real estate investment over the last three years equivalent to nearly 20% of its economy, while Edinburgh (18th) also features in the upper tier. The Scandinavian capitals – Oslo (2nd), Copenhagen (6th) and Stockholm (12th) – and Germany, where Munich (3rd), Frankfurt (8th) and Berlin (20th) make the list – perform particularly well, while Paris (13th) and Dublin (15th) are also among the world’s most attractive investment destinations in relation to economic size.

Innovation contributing to draw of U.S. cities

Vibrant technology sectors have boosted the attraction of U.S. ‘New World Cities’, with Silicon Valley (9th),Boston (14th), San Francisco (16th) and Austin (17th) featuring in the Top 20 alongside New York (11th). Honolulu (5th) rounds out the U.S. cities in the list with large single-asset retail transactions contributing to its performance.

Significant investor interest in Australasia

Australasian cities are seeing significant investor interest, with Sydney (4th), Auckland (7th), Melbourne (10th), and Brisbane (19th) all appearing in the Top 20. Factors attracting investors include improving market fundamentals and active technology sectors, while they are also being drawn to attributes relating to high levels of transparency, liveability and sustainability.

‘New World Cities’ now a structural feature of the global investment market We believe that this increased investor interest in transparent and open markets in innovation-oriented cities is a structural rather than cyclical feature of the real estate investment market. Over the past decade, a core set of 32 ‘New World Cities’ has steadily grown its share of global real estate investment volumes, rising from 10% in 2006 to account for over 20% of global volumes in 2015.

We expect these cities to continue to punch above their weight as real estate investment destinations. said JLL.

JLL Index provides a measure of real estate market liquidity, as well as a useful barometer of a city’s overall ‘health’, highlighting cities that are punching above their weight in terms of attracting real estate investment.

BANKING SECTOR:

Current Condition of Commercial Banks' Assets

As of March 1, 2016, the banking sector in Georgia is represented by 19 commercial banks, including 17 foreign-controlled banks and one branch of non-resident banks. In February 2016, compared to the previous month, the total assets of Georgian commercial banks increased (in current prices) by 0.2 billion GEL (or by 0.6 percent) and constituted 25.5 billion GEL (exchange rate effect excluded above mentioned indicator increased by 0.5 percent).

The banking sector's own funds (equity capital) equal 3.6 billion GEL, which makes up 13.9 percent of the commercial banks' total assets.

Current Condition of Commercial Banks' Loan Portfolio

The volume of lending by commercial banks (including loans to non-residents) in February 2016 increased by 22.8 million GEL or by 0.1 percent compared to the previous month and exceeded 16.2 billion GEL by March 1, 2016. The volume of loans in the national currency decreased by 27.4 million GEL (0.5 percent) and the volume of loans in foreign currencies increased by 50.2 million GEL or by 0.5 percent in the same period (as a result of operations, or exchange rate effect excluded, above mentioned indicator increased by 0.3 percent).

By the end of February 2016, commercial banks issued 1.6 billion GEL worth of national currency-denominated loans (0.2 percent more compared to the previous month), and 5.6 billion GEL worth of foreign currency denominated loans (7.8 percent more) to resident legal entities (exchange rate effect excluded volume of lending in the foreign currency increased by 7.5 percent).

During February 2016 the volume of lending to resident individuals increased by 0.4 percent or 35.9 million GEL, and exceeded 8.1 billion GEL by March 1, 2016.

Larization ratio for total loans constituted 34.01 percent by March 1 2016. Compared to February 1, 2016 exchange rate effect excluded larization ratio decreased by 0.16 percentage point.

Current Tendencies of Bank Deposits

The total volume of non-bank deposits in the country's banking sector increased by 0.5 percent (exchange rate effect excluded volume of deposits increased by 0.3 percent), or by 73.8 million GEL, compared to February 1, 2016 and exceeded 14.6 billion GEL by March 1, 2016. In February, the volume of term deposits increased by 35.5 million GEL (0.4 percent; exchange rate effect excluded volume of term deposits increased by 0.2 percent). Demand deposits increased by 38.3 million GEL (0.6 percent; exchange rate effect excluded volume of demand deposits increased by 0.5 percent).

The larization ratio of total non-bank deposits constituted 28.21 percent by March 1, 2016; It decreased by 0.45 percentage point (decreased by 0.41 percentage point exchange rate effect excluded) compared to February 1, 2016.

The annual average weighted interest rate on term deposits constituted 5.3 percent. In particular, the interest rate for national currency denominated deposits was 10.8 percent and the interest rate for foreign currency denominated deposits 3.9 percent.

The share of the US dollar in the total volume of foreign currency denominated deposits equals 81.6 percent and the share of the Euro equals 15.4 percent.

GRASS FACTCHECK

New Political Centre - Girchi:

"The state started to secretly register unregistered land plots under its ownership."

true

At the end of the last year, the draft law initiated by the Government of Georgia about the determination of land plots under state ownership drew criticism from both the opposition parties and the NGO sector. The New Political Centre - Girchi presented an alternative draft law before the Parliament of Georgia in regard to this issue and made particular emphasis upon the events unfolding against the backdrop of the aforementioned process. Girchi conducted a special briefing where one of its members, Iago Khvichia, stated: "The Government of Georgia launched a land plots registration project based upon which land plots under the ownership of Georgian citizens are registered as state property. This process is ongoing in every region of Georgia. This is nothing but expropriation of the population's land plots by the state."

FactCheck took interest in this topic.

On 16 December 2015, the Parliament of Georgia was presented with a draft law initiated by the Government of Georgia which envisages certain amendments to the Law of Georgia on Public Register. According to the draft law, an Article 11[1] will be added to the Law of Georgia on Public Register which envisages that a person's property/legal possession of immobile property will be registered under state ownership if said property cannot be confirmed as being under private ownership by the data stored at the National Agency of Public Registry of Georgia. The draft law also envisages that the state is authorised (although not obliged) to restrict itself to the right to manage the land plot for a minimum of one year after the registration of an unregistered land plot. Therefore, during this one-year period, a stakeholder in possession of valid registration documentation can address the National Agency of Public Registry of Georgia and demand the cancellation of the state ownership of his land plot and request its registration under his name.

According to the statement of Girchi's representative, the process of the registration of unregistered land plots under state ownership was vigorously launched in January 2016 within a process of stock taking and soon became a large-scaled endeavour.

On 27 January 2016, the Ministry of Economy and Sustainable Development of Georgia made a statement about this issue and rejected information about the alleged registration of multi-hectare land plots under state ownership. Of further additional note is the statement of the Minister of Economy and Sustainable Development, Dimitri Kumsishvili stated: "As of today, we have 255,000 hectares of unregistered land plots throughout the country. Of course, not all of them belong to the state but at least we know the amount of land plots which is being registered. In regard to parallel processes, we will start to register those unregistered land plots." As clarified by Mr Kumsishvili himself, the Government of Georgia initiated amendments to the Law of Georgia on Public Registry in order to avoid uncertainties caused by the registration process on the part of the population. These amendments envisaged the limitation of the right of management of those land plots which had been registered as state property for a one-year period within the stock taking process. Mr Kumsishvili stated: "If in the period of one year, someone shows up and claims his right of ownership, we will register the land plot under his name. Additionally, also by that time, cadastral data will already be filled in and the owner will benefit from that, too, as he will avoid these additional procedures."

This exact condition raises questions. Specifically, the aim of the draft law is unclear in that its existence or non-existence, for that matter, does not alter the situation (according to the draft law, the state is authorised to limit the right of management of the land plot for a one-year period but is not obliged to do so).

Of additional note is that the process of the registration of land plots under state ownership was temporarily halted as a result of public opposition. However, as stated by Girchi, damage has already been inflicted and problems will continue as a result of the accelerated registration procedures even if the content of the draft law is improved. Specifically, private owners who have been cultivating the land plots and are the so-called "traditional owners" do not possess ownership documents in most of the cases which deprives them of the chance to retain their land plots.

Of further additional note in this context, too, is Girchi's belief that Dimitri Kumsishvili's statement, in which he said that the actual owner will have the registration procedures simplified, is not true because the state registered the unregistered land plots without prior deliberation, verification and inquiry which means that land plots of several private owners could be grouped under one specific cadastral code. In this case, the private owner will have to conduct his land plot measuring work anew which is associated with additional expenditures and, additionally, it means that public funds used by the state for land measuring work were actually wasted.

The Public Defender criticised the already halted process of land plot registration by the state and declared that whilst the numerous problems related to the registration of immobile property remain unsolved, the launching of the aforementioned process by the state (without public discussion and prior notification concerning the population) poses a threat to the right of private ownership.

CONCLUSION

FACTCHECK CONCLUDES THAT GIRCHI'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