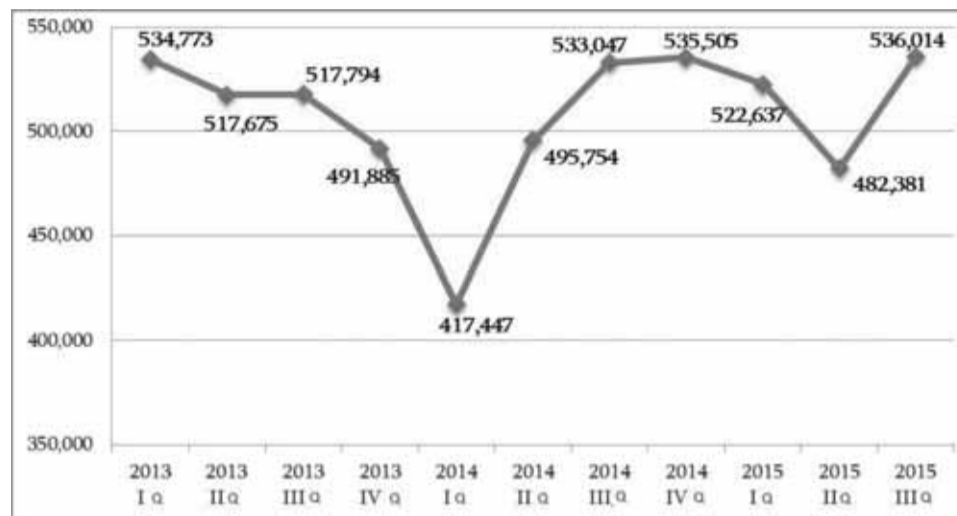


FactCheck



The Universal Healthcare Programme has negatively affected the private insurance market?

Graph 1: Dynamics of Change in the Number of Private Health Insurance Packages



Teona ABSANDZE
FactCheck

FactCheck verified how the volume of private health insurance programmes has changed after the launching of the Universal Healthcare Programme.

Before 2013, only those citizens who had the least accessibility to healthcare received state health insurance. The pool of these citizens included: socially vulnerable, pensioners, children up to the age of five years and disabled children, among others. After the change of government, the targeted approach for healthcare was replaced by the universality principle and the state programme of universal healthcare was launched in 2013. The Universal Healthcare Programme does not cover those citizens of Georgia who had private health insurance as of 1 July 2013. However, if a citizen had his private health insurance terminated after 1 July 2013, he was transferred to the Universal Healthcare Programme and receives a basic package. In 2014, those individuals who used health insurance packages were also transferred to the Universal Healthcare Programme.

The Universal Healthcare Programme is implemented by the Social Service Agency and private companies are not a part of the programme. In the past, the state health insurance were run by private insurance companies.

According to the statistical data of the Insurance State Supervision Service of Georgia, after the launch of the Universal Healthcare Programme, the amount of people using private health insurance dropped at the initial stage. According to the data of the first quarter of 2014, the number of health insurance packages de-

creased by 117,326. However, there is a trend of a rising number of individuals using private health insurance from the beginning of the second quarter of 2014. According to third quarter of 2015, 536,014 individuals are using private insurance which is slightly greater than the amount which was used before the start of the Universal Healthcare Programme.

FactCheck also took interest in the amount of increase seen in private health insurance from the second quarter of 2015. After the launch of the Universal Healthcare Programme, individual insurance packages increased by 39%. The amount of corporate insurance packages in state organs increased by approximately 32%. However, the number of corporate insurance packages dropped by 20% (65,754).

The Chairperson of the Georgian Insurance Companies Association, Devi Khechinashvili, in his interview with **FactCheck**, stated: "If we take a look at the trend, there is no significant change. Of note is the fact that the total amount of insured people is the same as it was in 2013. Basically, there is no growth. Additionally, even more important is the fact that corporate insurance dropped in the private sector. The insurance sector does not feel stable because we do not know where the healthcare funding system is heading to. Our single biggest problem is instability."

At the present moment, private insurance companies offer their customers the different so-called "build up" package which includes insurance of those healthcare services not covered by the Universal Healthcare Programme (medication, dental service, among others). Therefore, an individual who is covered by the Universal Healthcare Pro-

gramme can also have an individual private health insurance package in addition. This said, the universal + private insurance system, as such, might change. Devi Khechinashvili further commented in his interview with us: "The state does not have sufficient funds for the Universal Healthcare Programme and now they are discussing how to save money. There is some talk that the universal system could be revised. Perhaps, a person who uses private health insurance might be taken out of the Universal Healthcare Programme."

As the state directly funds the Universal Healthcare Programme, the associated financial risks that come with insurance are also the responsibility of the state budget. This mode of practice cannot be considered as an effective mechanism for expenditure management and this is proven by the statistics of the previous years. Notwithstanding the fact that the Universal Healthcare Programme's budget is rapidly increasing, the funds allocated for the programme in 2013 and 2014 were insufficient. Last year, more than GEL 100 million was required to be added to the programme's budget.

In order to have healthcare costs "contained" by the state, private health insurance companies need to be involved in the Universal Healthcare Programme. In this case, the private insurance company takes its own financial risks and carries out the monitoring of the programme to better serve its own interests. Considering the fact that the Universal Healthcare Programme takes the majority of the healthcare insurance market, the involvement of private companies in the state healthcare programme is important for the development of the health insurance market in general.

In Portuguese Arrests, Suspicions Of Dirty Russian Money And European Soccer

By MIKE ECKEL and
CARLOS COELHO
RFE/RL

There's a reason you've never heard of the Portuguese soccer club Uniao de Leiria. After climbing to the upper rankings of the national first division a decade ago, the team spiraled downward, dropping to the second division and struggling to pay its bills and players' wages. In one match, it managed to field only eight of 11 players. Two years ago, it slipped into bankruptcy.

In July, the club, located in the western city of Leiria about midway between Lisbon and Porto, appeared to have found a savior: a Russian businessman who ran a Moscow agency that represented aspiring Russian players. With an influx of fresh-faced Russian recruits and new investments, the club rose this week to the top of its sub-group in the third division and was on its way up to the second.

That outcome got a lot more complicated on May 4 when Portuguese police arrested the businessman, Aleksandr Tolstikov, and two other colleagues, accusing them of being part of a conspiracy to use the club to launder money from Russian organized-crime groups.

The arrests have opened another tiny window into the vast flows of money sloshing through world soccer, and European leagues in particular.

"Am I surprised? No," said Declan Hill, a Canadian researcher and author of the 2008 book *The Fix: Soccer And Organized Crime*. "What I am surprised about is that Portuguese police moved to do something and arrest these individuals."

Portuguese media reported that a judge was scheduled to continue questioning Tolstikov and his two colleagues on May 6.

As part of the raids, known as Operation Matrioshka -- a reference to traditional Russian nesting dolls -- financial police also raided the Uniao de Leiria offices, north of Lisbon, along with those of three better-known soccer clubs: Sporting Lisbon, Benfica, and Sporting Braga.

Europol, said that under an arrangement that began in 2008 the Russian gang searched for European soccer clubs that were having



financial problems. They then took financial control of the clubs and used them as a front for a network of holding companies, through which money was then laundered.

The yearlong investigation was prompted by the "high standards of living" of the suspects, who imported "large amounts of cash from Russia to Portugal," Europol said.

Little is known of Tolstikov's history. Russia media said he was a native of Moldova and an aspiring soccer player who later worked as an agent representing young Russian athletes. A Moscow-based agency, D-Sports, lists him as the principal owner.

A Russian man who answered the phone number listed on the D-Sports website for Tolstikov said he knew nothing of him or the agency.

One of the other arrested men was Sergei Runitsa, who is listed as D-Sports' representative in Portugal. Calls and text messages sent to the number listed on the website also went unanswered. The third arrested man was identified as a Portuguese bookkeeper for the Leiria club.

In an interview he gave to the St. Petersburg news portal Fontanka.ru not long after the purchase of the Leiria club was announced, Tolstikov said that he held 60 percent of the club's shares. He also said he intended to use the club as a training ground for aspiring Russian soccer players, particularly those connected to the St. Petersburg powerhouse Zenit.

Last year, the club listed seven Russians on its roster.

Return On Investment

Hill, the Canadian researcher, said the Leiria case

by far isn't the first case of organized crime groups allegedly using European soccer clubs to launder money. He said similar situations have occurred in lower-tier leagues in Belgium, Finland, and Italy in past years, though not necessarily involving Russians.

Europe is seen as a particular risk, given that many of its leagues are known as attractive investments. That's particularly true of top-flight teams -- Manchester United and Barcelona are among the best examples -- who have drawn in billionaires from Qatar, Russia, China, the United States, Thailand, and elsewhere.

In a 2009 report, the Financial Action Task Force, an intergovernmental agency focused on money laundering, warned specifically about the danger of criminal gangs using soccer clubs to launder illicit funds, and cited nearly two dozen examples.

Where Russian investment in European teams is concerned, the best-known case is in the English Premier League, where the club Chelsea was bought in 2003 by Roman Abramovich. It's now ranked among the world's most valuable sport franchises.

An ally of President Vladimir Putin, Abramovich made his fortune in Russia's aluminum industry and is now one of the country's wealthiest men.

One of Abramovich's first hires upon buying Chelsea was Jose Mourinho, a Portuguese coach who had orchestrated eye-catching victories for powerhouse club Porto.

Before Porto, Mourinho managed a similarly fast string of victories at Uniao de Leiria, where he worked in 2001-02. After his departure, the club slipped in its

Continued on p. 14

Mobile newsbrand readers are **39%** more likely to visit retail sites on their phone

Barclays Travel Survey - industry experts predict continued growth



The FINANCIAL

The results of the Barclays Travel Survey indicate that industry experts remain overwhelmingly confident as we enter the summer season.

40% of those surveyed expect people to travel more this year, with just 15% anticipating a reduction, and the longer term outlook appears even stronger, with more than half (52%) expecting an increase in 2017, compared to just 8% predicting a fall.

When considering their own businesses the picture is yet more positive, with two-thirds (67%) describing themselves as confident in the outlook for 2016, rising to 87% for 2017. Growth expectations are also strong, with 83% expecting their business to grow this year, increasing to 95% in 2017.

The survey was conducted at the 11th annual Barclays Travel Forum at the British Museum. The event brought together more than 250 lead-

ing travel experts to discuss the key issues affecting the industry and assess the prospects for the sector in 2016 and beyond.

Barclays' Head of Travel, Chris Lee, commented: "It's reassuring to once again see this level of confidence in the industry, both in terms of prospects for this year and in the longer term. It's no surprise to hear such optimism from our attendees, and is testament to the hard work they and their many thousands of employees put in to make sure the British public keep putting travel at the top of their wishlist."

When asked which locations would experience the greatest increase in tourism this year, Asia came out top (38%) followed by Europe (30%). This result was supported by comments from industry experts at the event, who identified South-East Asia and the Mediterranean as hotspots for 2016.

In line with the popularity of Asian holidays, long-haul/tailor made trips were cho-

sen by almost half as the sector with the greatest growth potential in 2016 (45%), but there were also encouraging signs for UK operators, with 82% of respondents expecting an increase in demand for domestic holidays this year.

Regarding the external factors they are most concerned about, the experts identified security issues as the primary worry (50%), with limited accommodation during peak periods in 'safe' destinations anticipated to account for the greatest price increase to holidays this year by 56% of respondents.

Chris Lee added: "At a time when there is uncertainty in some other parts of the economy, the travel industry continues to trade strongly and post impressive results. This is made possible in no small part by the ever-improving customer service UK travel companies deliver, ensuring that their customers have the best experience they can from the moment they book right through to when they return home."

No Price Caps in the Electricity Wholesale Market!

Continued from p. 2

two largest power plants of the country, Enguri and Vardnili, which together make up for 36% of Georgian consumption, cannot receive higher prices than 1.19 tetri/kWh and 1.17 tetri/kWh, respectively. Similar restrictions apply to the majority of power generators in Georgia and even to import prices, though for thermal generation the ceilings are much higher.

What is the advantage of having those price caps? Apparently, GNERC wants to prevent that generators charge prices which are so high that the grid operators decide not to buy (with power shortages resulting). However, without price caps, the bargaining over the price between power generators and grid operators would never lead to such an outcome. Clearly, the grid operators will never buy electricity for a price that is above their retailing revenue minus some operating cost, and as the retailing price is known to anybody, it is credible – also for the generators – that there is a maximum price they

cannot exceed without incurring losses. Could it happen that the generators would nevertheless demand prices that are higher than what the grid operators are willing to pay, so that the market will break down? Such a behavior of the generators would only be rational if somebody else would be willing to pay more for their electricity than the Georgian grid operators. Yet, due to technical reasons, the amount of electricity that can be exported is extremely limited, and almost all of the electricity produced in Georgia must be sold domestically. Hence, there is no such risk. Moreover, the existing price ceilings induce the generators even more to sell their electricity abroad, as no price caps apply to exports. They are just counterproductive if one wants to make sure that Georgian generators serve the Georgian market first, as they increase the incentive to not sell on the domestic market.

With or without ceilings, the generators have nothing better to do than selling their electricity to the Georgian grid operators, and hence there will be a bargaining so-

lution where the right amount of electricity, covering the Georgian demand, is traded. The only thing the price caps achieve is an additional rent for the grid operators, lifting their profits above what they would earn in a free negotiation process, and this goes at the expense of the generators.

On the other hand, the ceilings severely curb investment in the Georgian electricity sector. The problem is not solved by the fact that power plants built after 2013 are exempt from the price caps. If the largest share of Georgian electricity is kept at an artificially low price, the bulk of the demand is covered by the cheapened price, and only the residual demand can be served by those new market entrants at higher prices.

To sum up, instead of increasing energy security, the price ceilings reduce investments in the energy sector. For Georgia, it is strategically hazardous if the production capacities do not keep up with the constantly rising demand for electricity, and it is a pressing issue to remove this unnecessary regulation. *Laissez faire*, as Montesquieu would have said!



When will Tbilisi have a general development plan?

Veriko SUKHIASHVILI
FactCheck

Tbilisi has numerous problems in terms of urban development. One of the reasons for this is that Tbilisi has not had a General Land Use Plan, guiding its development, for the last several years. The last General Land Use Plan for the development of the capital city was approved in 1971 and was in force until 2000. Moreover, no urban development plans have been elaborated since Georgia's independence. Certain steps in this direction were only taken in 2009 when a General Plan for the Prospective Development of Tbilisi was adopted.

The current Mayor of Tbilisi, Davit Narmania, discussed this flaw and the need for revising the existing plan in his pre-election programme. Tbilisi City Hall made a decision about reviewing the General Land Use Plan only a year after Mr Narmania was elected and tasked the Architecture Department with holding a competition for the revision of Tbilisi's General Land Use Plan. "City of the Future", an international union of legal entities, succeeded in winning the competition.

FactCheck interviewed Mamuka Salukvadze, the Director of one of the companies from the "City of the Future" group – City Institute Georgia, about the importance and essence of Tbilisi's General Land Use Plan.

According to Mr Salukvadze, the plan must determine a clear strategy for the transformation of public areas as well as the size and height of constructions. He also explained that the new plan will aim at stopping the chaos which we have in the city today. As Tbilisi does not have a document for the protection and development of public spaces, violations have been occurring for decades. The most alarming of the violations comprise the agreements made with regard to construction projects in recreational areas. The re-

vised General Land Use Plan will label the embankments of the Mtkvari River, city gardens, parks, squares and other green areas as separate typological zones with appropriate plans and protection mechanisms.

Transport infrastructure is also a very important aspect of an urban plan. According to Mr Salukvadze's statement, the pace of developing Tbilisi's transport infrastructure is not able to catch up with the growth of the number of personal automobiles in the city which means that road development alone will be insufficient for resolving the transportation problem. City Institute Georgia's revised plan proposes the pilot Fast Bus project. The Fast Bus will have its own lane on the road and a well-planned transportation schedule.

Mamuka Salukvadze also spoke about large-scale infrastructural projects as a part of the General Land Use Plan. He explained that Tbilisi will have a general development plan in 18 months beginning from October 2015. Naturally, neither large-scale infrastructural projects nor any constructions can be stopped before the new plan is completed. Hence, the company has already presented City Hall with appropriate changes regarding the implementation of these particular projects.

As for the large-scale infrastructural projects, such as the bypass railway, there is no alternative to removing the railway line from the city as it makes for the opportunity to create a new centre which will be much more interesting and attractive than the current one. As for the Panorama Tbilisi project, Mr Salukvadze commented that independent foreign experts have been invited to study the proposed project and City Institute Georgia will use the results of this study in its evaluation of the project.

Additionally within the interview, Mr Salukvadze also discussed the difficulties in managing the General Land Use Plan. The main chal-

lenge is not its creation but, rather, its management process. "In the general plan, we have set out certain constraints regarding how the city must not be developed. However, even if this document is ideal in every way, it will not change much unless it is turned into a law," he said.

We asked an independent Tbilisi City Council member, Aleko Elisashvili, to comment upon the creation process of the General Land Use Plan. Mr Elisashvili pointed out that he has acquainted himself with the major concepts of the proposed plan and believes that its authors have an adequate understanding of the problems facing the capital city at the moment. However, Mr Elisashvili also believes that the most important point is that this plan indeed turns into a real document which will define the capital city's future development. However, he does not believe that the current Tbilisi City Hall administration can guarantee that this will happen.

In this context it is interesting to examine one fact – City Institute Georgia proposed changes to the current rules regulating construction to Tbilisi City Hall in January. At the 17 February Cabinet meeting, the Mayor of Tbilisi stated that City Hall would present the revised version of the regulation rules to Tbilisi City Council in the nearest future. We took interest in whether or not the aforementioned changes have been presented to the Council. As the Head of the Urban Planning and Municipal Utilities Commission of Tbilisi City Council, Gocha Babunashvili, told us, no such initiative has been admitted to the Council as of yet. It should be pointed out that it has been two months since the group working on the General Land Use Plan presented these changes to City Hall and one-and-a-half months after Davit Narmania's statement where he promised to present the changes to Tbilisi City Council in the nearest future.

