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EU children at risk of poverty or social exclusion

See on p. 6

US Wrestles With the Issue of Asylum

See on p. 12



27 November, 2017

News Making Money

<http://www.finchannel.com>

Over-Educated Georgians and a Mismatch in the Labour Market

The FINANCIAL

Georgia continues to face problems of an ineffective, low quality and exam-oriented education system with credential inflation; low-skilled labour force with a mismatch in the labour market; irrelevant job requirements and over-education at the same time. The mismatch between curriculums and the labour market; imbalance of general and professionally-oriented education; against making students independent

decision-makers, able to adjust to changing demands - are believed to be key factors that could contribute to creating a Georgian education system focused on labour market requirements.

The majority of Georgians are employed in the agricultural sector, whereas in terms of formal education, the majority of Georgians are lawyers or economists, meaning that they do not have corresponding education or practical skills.

Continued on p. 6

Georgian Universal Health Care Reform or 'Houston - We Have a Problem'

The FINANCIAL
OP-ED BY ANA ZHULINA

After almost four years since launching the Universal Health Care (UHC) System, the programme still has multiple systematic shortcomings, including resources and difficulty in programme implementation and the monitoring process.

Norway was one of the first countries to launch universal healthcare, back in 1912. Equal access to healthcare; public health improvement; less paperwork; encourage-

ment of entrepreneurship; benefiting businesses and boost to the economy - are all believed to be the main pros of Universal Health Care.

The cons of Universal Health Care include: long waiting times; lead-up to a socialist state; medical abuse leading to rationing; increasing government debt; and finally, there is no free lunch - universal healthcare is not really free since the Government needs to generate a fund to support the programme. Hence, it leads to an increase in taxes.

Continued on p. 10

Violent sexual crimes recorded in the EU

The FINANCIAL -- About 215 000 violent sexual crimes were recorded by the police in the European Union (EU) in 2015. A third of these (nearly 80 000) were rapes.

More than 9 in 10 rape victims and more than 8 in 10 sexual assault victims were

girls and women, while nearly all those imprisoned for such crimes were male (99%).

Continued on p. 6

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	Nov 25	Nov 18
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1 EUR	3.2112 ▲	3.2176
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Weekly Market Watch

By Galt & Taggart

See on p. 19



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financial news



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27 November, 2017

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G-Force Euro Regular	2.23	Eko Premium	2.37	Super Ecto	2.33	Nano Premium	2.37	Efix Euro Premium	2.42
Euro Regular	2.17	Eko Diesel	2.30	Premium Avangard Ecto	2.23	Nano Euro Regular	2.20	Euro Regular	2.30
G-Force Euro Diesel	2.27	Euro Diesel	2.25	Euro Regular	2.13	Nano Euro Diesel	2.20	Efix Euro Diesel	2.35
Euro Diesel	2.19	Euro Regular	2.23	Euro Deasel	2.19	Nano Diesel	2.17	Euro Diesel	2.25
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ISET ECONOMIC INDICATORS

KHACHAPURI INDEX

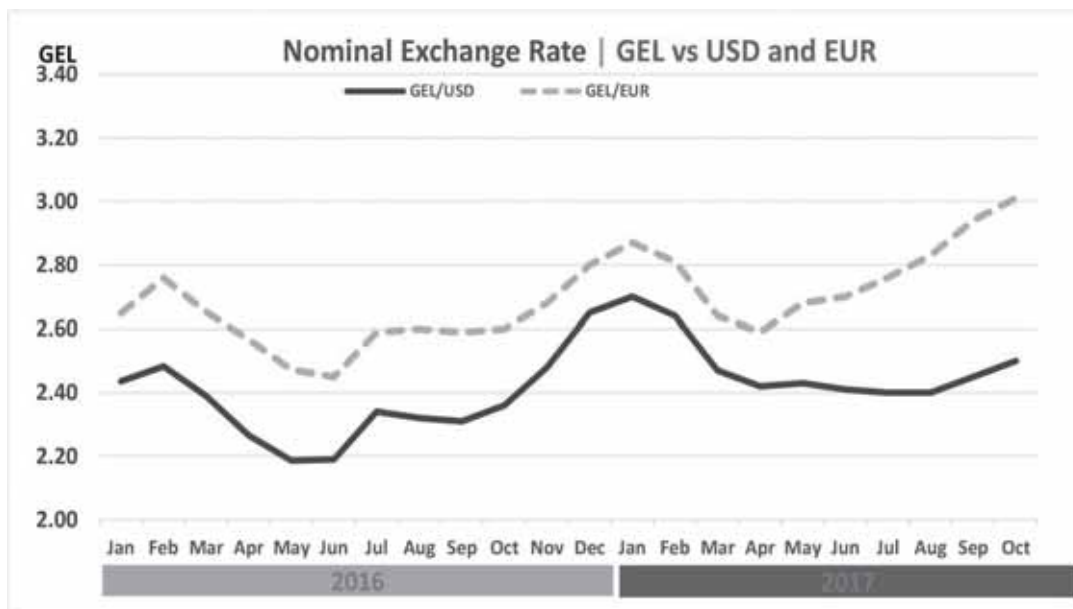


WWW.ISET-PI.GE/khachapuri-index

KHACHAPURI FOR FOREIGN CURRENCY EARNERS

The average cost of cooking one standard Imeretian khachapuri in October 2017 was 3.64 GEL, which is 0.2% higher month-on-month (compared to the previous month), and 7.2% higher year-on-year (compared to the same month of the previous year).

However, for those people whose salaries are denominated in EUR, khachapuri became much cheaper due to the significant depreciation of lari against the euro. In October 2016, one EUR could be exchanged for 2.60 GEL, whereas one year later, in October 2017, one EUR was worth 3.01 GEL (up by 16%), which means that last year one would need 1.3 EUR to buy one khachapuri, while today, 1.2 EUR is sufficient. As for USD earners, khachapuri became slightly more expensive for them, because the cost of cooking khachapuri increased by more than the national currency depreciated against USD.



ISET ECONOMIC INDICATORS

Consumer Confidence Index

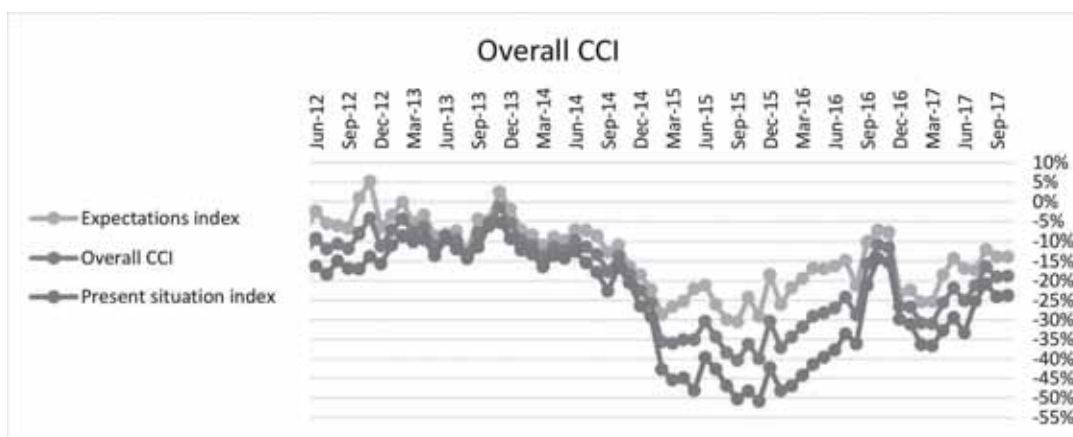
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October 2017: Georgian Consumer Confidence Stable, But Well Below its 2016 Level

ISET

According to a nationally representative sample of 367 individuals undertaken in early October 2017, ISET's CCI index added 0.2 index points, rising from -19 in September to -18.8 points in October. Similar tiny movement was observed in both sub-indices: the Present Situation Index improved by 0.3 index points (from -24.1 to -23.8) and Expectations Index by 0.1 (from -13.9 to -13.8) compared to September.

However, the change in CCI is neither small nor positive when compared to last year's levels. The Index lost 8 index points (from -10.8 to -18.8) in yearly terms. In line with a well-established trend in global consumer confidence research, last year's parliamentary elections, held in October 2016, provided a major boost to consumer confidence in the three months just prior and immediately after the voting day. Given the lesser significance of Georgia's municipal elections held this year, no similar pattern has been



observed in either September or October 2017.

Happiness everywhere?

While September saw a major gap in consumer confidence emerging among the seemingly happy Tbilisi and rest-of-Georgia, the trend was reversed in early October (before the beginning of the recent lari devaluation).

Tbilisi lost 4.1 index points (from -12.6 to -16.7), whereas rest-of-Georgia gained 4.5 points, going up from -24.8 to -20.3. At least to some extent, this could be attributed to the beginning of grape harvest period, Rtveli, and a sharp increase in the consumption of alcohol in Georgia's countryside.

The Asian Party Pooper...

Unfortunately, the mood is not as festive in Western Georgia, where the entire agricultural sector has been devastated by the infamous stink bug or "pharsona" as it is known in Georgia is (see our most recent blog article: "Asian Invasion: Stink Bug in Georgia"). As we show below, the entire improvement in rest-of-Georgia's Consumer Confidence is associated with wine festivities in Kakheti

Continued on p. 13

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european affairs



Almost half of EU pupils study vocational programmes

The FINANCIAL -- Of the 22 million pupils in the European Union (EU) studying at upper secondary level in 2015, more than 10 million (or 47%) were enrolled in vocational education. In thirteen EU Member States, more than half of all upper secondary pupils studied vocational programmes.

Vocational education at upper secondary level was somewhat dominated by males, who accounted for 56% of pupils studying this type of programme. This pattern can be observed in almost all Member States.

Highest share of upper secondary pupils enrolled in vocational education in the Czech Republic

In 2015, the highest proportion of pupils at upper secondary level enrolled in vocational education was registered in the Czech Republic (73%), ahead of Finland (71%), Croatia and Austria (both 70%), Slovakia and the Netherlands (both 69%) and Slovenia (68%).

At the opposite end of the scale, shares of less than a third were recorded in Malta (13%), Cyprus (16%), Hungary (23%), Lithuania (27%) and Greece (32% in 2014).

This news item marks the European Vocational Skills week (20-24 November).

More males than females in upper secondary vocational education in most Member States.

The majority of pupils fol-

Continued on p. 13

A quarter of household expenditure allocated to housing

The FINANCIAL

In 2016, households in the European Union (EU) spent nearly a quarter of their total consumption expenditure on "housing, water, electricity, gas and other fuels". This represents a total spending of nearly €2 000 bn (equivalent to 13.3% of EU GDP) and is by far the most significant expenditure of EU households.

Of all household expenditure main items, housing was the item that saw the most significant increase in spending over the last decade, rising from a share of 22.2% of total household expenditure in 2006 to 24.5% in 2016 (or +2.3 percentage points). Similar trends can be observed in the overwhelming majority of EU Member States, albeit to different extents.

Weight of household expenditure on housing highest in Denmark, Finland and the United Kingdom

In the vast majority of EU Member States, "housing, water, electricity, gas and other fuels" represents the most substantial item of household expenditure. In 2016, households in Denmark (29.1%), Finland (28.4%) and the United Kingdom (27.1%), followed by France (26.2%), Sweden (26.0%) and the Czech Republic (25.6%) devoted the largest share of their total expenditure to housing.

At the opposite end of the scale, the lowest proportion of household expenditure spent on housing was recorded in Malta (10.3%), ahead of Lithuania (15.6%), Cyprus (15.9%), Estonia (17.6%) and Portugal (18.8%).

Share of expenditure on housing increased the most in Portugal, Spain, Finland and Ireland

Between 2006 and 2016, the share of "housing, water, electricity, gas and other fuels" in total household expenditure grew in the vast majority of Member States.

In particular, the highest increases over this 10-year time period were recorded in Portugal (from 14.3% of total household expenditure in 2006 to 18.8% in 2016, or a rise of 4.5 percentage points - pp), Spain (+4.3 pp), Finland (+4.1 pp) and Ireland (+3.8 pp), followed by Denmark and the Netherlands (both +3.1 pp), Greece and Italy (both +2.9 pp).

In contrast, the share of "housing, water, electricity, gas and other fuels" in total household expenditure dropped slightly between 2006 and 2016 in Slovakia (from 26.7% in 2006 to 24.4% in 2016, or a decrease of 2.3 pp), Poland (-0.9 pp), Malta (-0.8 pp), Germany and Sweden (both -0.6 pp) as well as Estonia (-0.5 pp), while it remained largely stable in Hungary.

EU and Georgia adopt revised Association Agenda

The FINANCIAL -- The EU and Georgia have adopted a revised EU-Georgia Association Agenda for the period 2017-2020.

According to the EU Delegation to the country, the new document builds on the previous Agenda for the 2014-2016 period and establishes a set of jointly agreed priorities towards further implementation of the Association Agreement, including the Deep and Comprehensive Free Trade Area (DCFTA).

The revised Association Agenda maintains a practical framework for achieving political association and economic integration between the EU and Georgia, and sets out an ambitious programme of reforms for the years to come. It addresses a wide range of issues such as strengthening democratic institutions, the rule of law, independence of the judiciary, respect for human rights, cooperation on foreign and security policy and peaceful conflict resolution.

It also incorporates economic and trade elements, including a dedicated DCFTA chapter and cooperation in a number of sectors such as energy, transport, employment and social policy, according to EU Neighbours East Info.

"The EU will continue supporting Georgia in a number of ways as it implements the Association Agenda," the EU said in a press release. "These include financial support, technical expertise and advice, information sharing and capacity building."



Violent sexual crimes recorded in the EU

The FINANCIAL -- About 215 000 violent sexual crimes were recorded by the police in the European Union (EU) in 2015. A third of these (nearly 80 000) were rapes.

More than 9 in 10 rape victims and more than 8 in 10 sexual assault victims were girls and women, while nearly all those imprisoned for such crimes were male (99%).

In absolute terms, police in England & Wales* recorded the highest number of violent sexual offences (64 500, of which 35 800 rapes - 55%), followed at a distance by Germany (34 300, of which 7 000 rapes - 20%), France (32 900, of which 13 000 rapes - 40%) and Sweden (17 300, of which 5 500 rapes - 33%).



Number of sexual violence offences relative to the population: highest in Sweden and the UK

Relative to the population of each Member State, Sweden recorded the highest number, with 178 violent sexual crimes per 100 000 inhabitants, ahead of

Scotland* (163), Northern Ireland (156), England & Wales* (113) and Belgium (91). For rapes, the highest rates were recorded in England & Wales* (62 rapes per 100 000 inhabitants) and in Sweden (57).

It should be borne in mind that the figures do not necessarily reflect the actual number of violent sexual crimes. Rather they show to what extent such crimes are reported to and recorded by police. Therefore the variation between countries is also influenced by general awareness and attitudes to sexual violence offences.

This news item marks the International Day of the Elimination of Violence Against Women (25 November).

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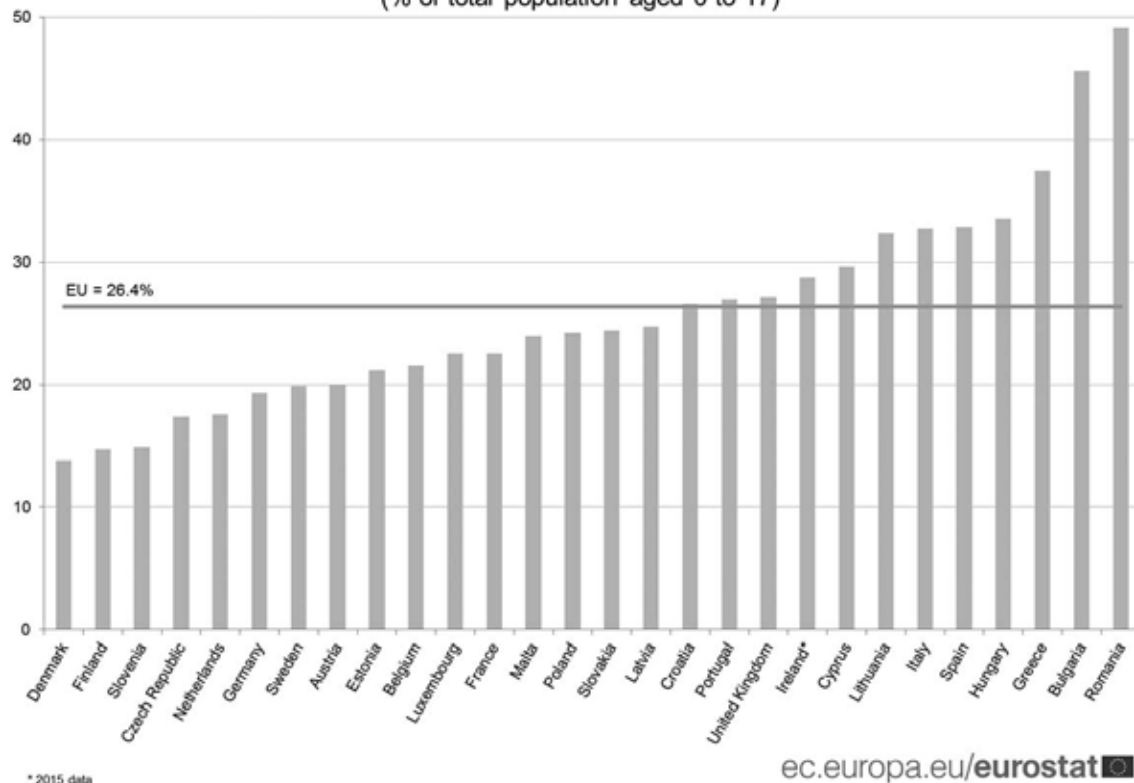
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European affairs

EU children at risk of poverty or social exclusion

Share of children at risk of poverty or social exclusion in the EU, 2016
(% of total population aged 0 to 17)



The FINANCIAL

In 2016, 24.8 million children in the European Union (EU), or 26.4% of the population aged 0 to 17, were at risk of poverty or social exclusion. This means that the children were living in households with at least one of the following three conditions: at-risk-of-poverty after social transfers (income poverty), severely materially deprived or with very low work intensity.

The proportion of children at risk of poverty or social exclusion in the EU has slightly decreased over the years, from 27.5% in 2010 to 26.4% in 2016. However, contrasting trends were observed across the EU Member States.

Share of children at risk of poverty or social exclusion highest in Romania

and Bulgaria, lowest in Denmark, Finland and Slovenia

In 2016, almost half of the children were at risk of poverty or social exclusion in Romania (49.2%) and Bulgaria (45.6%). They were followed by Greece (37.5%), Hungary (33.6%), Spain (32.9%), Italy (32.8%) and Lithuania (32.4%).

At the opposite end of the scale, the lowest shares of children at risk of poverty or social exclusion were recorded in Denmark (13.8%), Finland (14.7%) and Slovenia (14.9%), ahead of the Czech Republic (17.4%) and the Netherlands (17.6%).

Largest decrease in share of children at risk of poverty or social exclusion

in Latvia, highest increase in Greece.

In a large majority of the EU Member States, the proportion of children at risk of poverty or social exclusion decreased from 2010 to 2016. The largest fall was recorded in Latvia (from 42.2% in 2010 to 24.7% in 2016, or -17.5 percentage points - pp). Notable decreases were also registered in Poland (-6.6 pp), Ireland (-5.3 pp between 2010 and 2015), Hungary (-5.1 pp), Bulgaria (-4.2 pp) and Lithuania (-3.4 pp).

In contrast, the largest increases among EU Member States were observed in Greece (from 28.7% to 37.5%, or +8.8 pp) and Cyprus (+7.8 pp), followed by Sweden (+5.4 pp) and Italy (+1.1 pp).

At EU level, the percentage of the total population aged below 18 who were at risk of poverty or social exclusion decreased by 1.1 pp, from 27.5% in 2010 to 26.4% in 2016.



Over-Educated Georgians and a Mismatch in the Labour Market



The FINANCIAL
By TATA LOBZHANIDZE

Georgia continues to face problems of an ineffective, low quality and exam-oriented education system with credential inflation; low-skilled labour force with a mismatch in the labour market; irrelevant job requirements and over-education at the same time. The mismatch between curriculums and the labour market; imbalance of general and professionally-oriented education; against making students independent decision-makers, able to adjust to changing demands - are believed to be key factors that could contribute to creating a Georgian education system focused on labour market requirements.

The majority of Georgians are employed in the agricultural sector, whereas in terms of formal education, the majority of Georgians are lawyers or economists, meaning that they do not have corresponding education or practical skills. The main challenge of the education system and recommendation to the Government of Georgia is to implement policies that will stimulate graduates' creative and individual ways of thinking, encourage competition in the education system, make state universities more autonomous, follow the experience of AgriUni and stimulate professional non-degree programmes with better equipment, labs and trainers; change old Soviet curriculums and adjust them to the demands of the labour market, make schools and universities attractive in terms of wages, for smart and qualified job-seekers. Finally, just stop being afraid of unqualified teachers and professors, schedule a test date, take a high minimum score (because students deserve to have qualified teachers), give them time to be prepared, and if they fail, just let them rest in peace. Do not be afraid because they will no longer support the Government at elections, because no foreign investment or income from tourists can survive the future of Georgia, but an Education System that creates a qualified, productive domestic labour force.

The sheepskin effect is a well-known hypothesis that the awarding of an educational degree would yield a higher income than the same knowledge without possession of a certificate. Many economists investigate the signalling effect of the possession of such a certificate. However, education is one of the 'Holy Trinity' that everyone is supposed to want more and better of. Economists assume that education is to build human capital, and it is also a rare example of an issue where economists and the public agree that existing investment in education is not sufficient.

When getting education in Georgia, the main issue students face is that most courses do not teach job-related skills. An ordinary 24-year old Georgian with a Master's degree, having graduated from the so-called "number one university in the Caucasus region" can't find a job that is corresponding to his formal education. If he is lucky enough, he will find a job, let's say, as a data analyst in a private company of a micro business sector that in fact does not need a university degree at all. A school education and some 6-month training in Excel would be sufficient to do such reporting tasks. Despite this, no employer would prefer a candidate certified in Excel without a diploma, in place of a BA degree-holder in Economics from a well-known state university, even though the latter has never studied Excel. In fact, it does not matter whether he has a BA or MA degree in terms of job skills. However, employers still require graduate degrees even though they know that no matter the diploma, the majority of job-seekers do not have practical skills. Here arises the issue of the skill and qualification mismatch in the labour market of Georgia.

The managing partner of employment website Work.ge, Temo Todua, says that often employers have excessively high education requirements for jobseekers and make themselves additional artificial barriers to finding compatible candidates. "Sometimes they are even asking to be sent a CV for the position of 'office-cleaner' in Zestafoni. It would definitely be better to make less connection barriers and make requirements more relevant," Todua told The FINANCIAL.

According to Todua, in the private sector the majority of vacancies are for the positions of: sales manager; distributor; product development manager; consultant or cashier in a supermarket, etc. So why do these employers require university diplomas, and why do these kinds of job-seekers waste their money in formal education, when none of the Georgian universities teach one how to be a good sales manager, consultant or cashier. They would definitely have higher salaries in the event they were the recipients of adequate education. Research papers discuss income inequalities in terms of education, asserting that the returns of over-education are positive but lower than the returns of years of adequate education.

Over-education causing a reduction in workers' return to higher education, is attributed to an increased supply of more educated people in the labour market. Over-educated workers are those who report the education required by their jobs to be



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financial news

Lutecia Hosts Luciano Bertinelli, CEO of Salvatore Ferragamo Parfums

Newest Fragrance 'Amo Ferragamo' to enter Lutecia stores in February

The FINANCIAL

Perfumery and cosmetics store Lutecia recently hosted Mr. Luciano Bertinelli, CEO of Salvatore Ferragamo Parfums. President of Lutecia Group Vakhtang Pkhakadze presented Mr. Bertinelli to Georgian media representatives at a specially-organized press lunch.

Georgian national cuisine restaurant Tabla Salon hosted the press lunch and meeting with Ferragamo Parfums' CEO with truly amazing dishes. Luciano Bertinelli, with great enthusiasm and charisma, told exclusive stories about the legendary brand Ferragamo to media representatives specially invited by Lutecia for the occasion.

"Mr Bertinelli was preparing to visit Georgia for about 15 years. Our brand has been cooperating with Ferragamo Parfums for 15 years already. Mr Bertinelli has travelled much from Florence to Georgia. It's a great pleasure for both of us that we are now together in Georgia. He announced that in February



Ferragamo will present its completely new scent – a new perfume to Georgian customers. This is really good news for Ferragamo fans," said Vakhtang Pkhakadze.

"I am really excited by my visit to Georgia as this is my first time here. However, I have already made some discover-

ies, for example, I noticed that Italians and Georgians have the same enthusiasm and this makes me really happy. It's a pleasure for me to announce that in February Georgian customers will find the newest fragrance - Amo Ferragamo, at Lutecia stores. This is a truly Italian scent, the name of the

perfume is all-Italian as well. It's a kind of tradition for Ferragamo to name its perfumes in Italian. Amo Ferragamo creates the history of a woman who loves life and enjoys it," Bertinelli said.

"I can feel that Ferragamo perfumes are very popular in Georgia and most people



are aware of the brand Ferragamo's story. So it's really important for us. Salvatore Ferragamo Perfumes are connected with emotions and feelings and we know that life is nothing without emotions," Bertinelli said.

"At Ferragamo, we make sure every one of our products is of a very high quality. We are obsessed with detail. And we're proud to be 100-percent made in Italy. We pay much attention to the perfume bottle itself. For example, the bottle cap on Signorina Misteriosa is made in Italy. Everyone knows the iconic Salvatore Ferragamo Vara flat shoe. With its grosgrain ribbon and elegant design, it is one of the brand's most iconic and popular items. The bow is also a signature look for the brand's popular fragrance, Si-

gnorina, first created in 2011 and followed with Signorina Eleganza and Signorina Misteriosa," he added.

According to Mr. Bertinelli, the glass of our perfumes is made by one of the world's foremost glassmakers. The perfume must have a certain quality of composition, and must be full of natural ingredients. Even the box that Signorina Misteriosa comes in is produced in Italy. Our products will tell Ferragamo's story for the next 100 years."

During the press launch Mr. Bertinelli also told a very brief and interesting story of the brand Ferragamo that grabbed everyone's attention. He told the "Cinderella story" of Salvatore Ferragamo, whose fashion house is one of the leading ones in the fashion industry worldwide today.

Over-Educated Georgians and a Mismatch in the Labour Market

Continued from p. 6

below the level of education they have attained. Some research papers state that over-education has negative externalities balancing out any positive externalities, or even imply that the Government is wasting money, subsidizing useless education.

Rational employers should know that an employee who feels himself to be over-educated for a particular position is less productive, less concentrated on the job and is constantly looking for new opportunities. Well, it is more likely that, in reality, he is not qualified and skilled enough, but still believes that he deserves more, due to 18 years of education. Thus, the alternative costs of employing a person that is over-educated are pretty high. In such cases it would definitely be more beneficial for employers to hire people with lower formal education, who would be satisfied with their job and salary and as a result, more productive.

Now, what's wrong with the Georgian education system and how could it be transformed to create a skilled labour force? The former Minister of Education and Sciences of Georgia, Alexandre Jejelava, emphasized the

importance of not traditional, formal education, but the matter of critical thinking and creativity in the education system ('Komble' as a manager. etc). The other issue is how that could practically be implemented in the Georgian education system, but the vast majority of society did not get that what actually matters is that education should give students creativity and an individual way of thinking, not only diplomas and certificates.

The majority of employers estimate that Free University graduates are expected to be some of the most qualified candidates in terms of job-related practical skills. The rector of Free and Agricultural Universities, Vato Lejava, says that 95% of students are already employed as soon as they graduate. He emphasizes the three main factors of their education system's success: First, curriculums are based on the demands of the labour market and are adjusted as time passes; students study what is actually required by employers. Second, there is an exact balance between general and professionally-oriented education with a high share of subjects that are focused on practical skills. Third, the studying process is organized to make students independent decision-makers

and able to adjust to changing demands. "It is impossible to gain skills now that will be required ten years on. In order to remain competitive, the main skills students should have, are adaptability and the ability to study new cases in practice," Lejava told The FINANCIAL.

The unemployment rate in Georgia is 11.8%. That is not extremely high as a number. It is much higher in Greece, Armenia, Spain etc. However, if we elaborate more briefly, out of all employed people, 57% are self-employed, meaning that the majority of them are in the agriculture sector (83% of self-employed people), owning small farms just to feed themselves and earn some money. However, according to a survey of Transparency International Georgia, only 17% of the population want to be employed in the agriculture sector. Thus, it seems that people are obliged to work in the agriculture sector, because they cannot find a job corresponding to their education. By the way, the lowest wages in Georgia have people employed in agriculture (GEL 575) and the education system (GEL 537). What if we check how many people have university diplomas or professional certificates in farming, agriculture? The majority of BA, MA and

non-degree-programme students study social sciences, business and law. The lowest number of students among non-degree programmes study agriculture and education sciences. For instance, only 2.3% of Bachelor's students study agriculture and 2.5% education sciences. Thus, students' preferences are corresponding to wage rates in these sectors. If smart and well-educated people do not have an incentive to apply for a job in the education system, for instance as a teacher, then how could the Government of Georgia imagine that any other investment in the education system would be effective. Therefore, it could be stated that the main challenge for the Georgian education system is to make schools and universities attractive in terms of wages, for smart and qualified jobseekers.

Lejava states that in order to create an education system that provides a qualified labour force, the Government of Georgia should work with respect to the Hippocratic Oath's "First, do no harm". "The Government does not know better what is needed in the labour market. The Government should stimulate or at least should not hinder competition in the education system. When universities face the concrete demands of

the labour market, competition is key to making the right decisions with regard to the balance of quality and price of education. Furthermore, the Government of Georgia should abolish unreasonable expenses and barriers that ultimately are directly or indirectly passed on to students and make the education system less flexible and less affordable," said Lejava.

"Agricultural University is an obvious example of how with an effective and straightforward policy it is possible to transform the lowest-ranked university to one of the leading universities in Georgia. In order to be successful and competitive, state universities should be less privileged, however with higher autonomy and corresponding responsibilities," Lejava told The FINANCIAL.

In addition, Lejava considers that there are unnecessary barriers for non-degree professional programmes. "The success of the Culinary Academy of AgriUni proved that non-degree professional education can be prestigious and affordable as well. Recently, we added wine and veterinary studies that will be as successful as already-existing programmes, I believe," said Lejava.

For sure, Georgians face problems of an ineffective

education system, low-skilled labour force and over-education at the same time. However, it is optimistic that over-education is not a problem of only developing countries. It was first detected during the seventies and still remains a challenge in as developed a country as the USA. According to research released by the University of Chicago Press, the education system in the US is failing to educate students. Based on students' surveys before and after college education, authors claim: "How much are students actually learning in contemporary higher education? The answer for many undergraduates, we have concluded, is not much." In addition, it makes optimistic expectations that Georgian students studying within BA, MA, or non-degree professional programmes in education sciences are doubled in the year 2016 compared to 2011. Now the challenge is to make these programmes attractive in terms of wages and future prospects – to not only those students who could not enter other prestigious faculties but also for smart students who really want to become professional teachers, trainers or professors, contributing human capital development and making the future of Georgia much better.



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OP-ED

Georgian Universal Health Care Reform or 'Houston - We Have a Problem'



The FINANCIAL
OP-ED BY ANA ZHULINA



After almost four years since launching the Universal Health Care (UHC) System, the programme still has multiple systematic shortcomings, including resources and difficulty in programme implementation and the monitoring process.

Norway was one of the first countries to launch universal healthcare, back in 1912. Equal access to healthcare; public health improvement; less paperwork; encouragement of entrepreneurship; benefiting businesses and boost to the economy – are all believed to be the main pros of Universal Health Care.

The cons of Universal Health Care include: long waiting times; lead-up to a socialist state; medical abuse leading to rationing; increasing government debt; and finally, there is no

free lunch - universal healthcare is not really free since the Government needs to generate a fund to support the programme. Hence, it leads to an increase in taxes. This is shown in the UK and other European countries where universal healthcare is being practiced with taxes increasing year after year. And last but not least, the cons of the system are no competition and no innovation - universal healthcare eliminates the free market for healthcare where prices may be lower. There is no incentive to create better medications or pursue better medical services. Universal healthcare will reduce the amount of money doctors can make thereby reducing the attraction of the practice. This could create a shortage of

doctors in the long-run.

In 2013 the Georgian healthcare system was changed once more and the Universal Health Care (UHC) programme entered into force. Its main objective was to provide the population with healthcare services in a way to receive maximum benefits with minimal expenses. The programme includes all types of medical services, including inpatient, outpatient and emergency services. Unlike the previous programme, it isn't limited by geographic principles for beneficiaries - hence, any Georgian citizen can receive medical services in any part of Georgia.

At a glance the programme is humane and is directed to help the population. But there are several

important nuances, which should be considered while analyzing the UHC programme.

First of all, the UHC programme entered into force pretty spontaneously. Many of the participating medical facilities were informed about it quite superficially. This resulted in many shortcomings when providing the services. Many medical facilities weren't ready for the increased patients' flow after the programme's launch. The newly-established electronic reporting system also had a negative influence. It caused losses for a number of medical facilities. Mostly, the losses were caused due to the following:

Complicated performance submission process;

Time delay in performance submission;
Obstacles in processing from the Ministry;

Delays in the transfer of funds to the medical facilities.

Overall, financial issues were caused for the most part for the medical facilities. As a result, many issues were created, like delays in salary transfers for medical personnel and the payment of bank liabilities.

A new problem has emerged since adapting to the programme: medical facilities have started using the programme to benefit personally. Medical data was counterfeited to receive increased income from the programme's budget. Besides, patients were unnecessarily retained in medical facilities or placed in intensive care departments. This approach was an obvious violation of the patients' rights, and in some cases even caused an aggravation in patients' conditions. It is clear that the programme's budget was infringed in this way. In addition to existing sanctions, the development of additional monitoring mechanisms became necessary, which required the mobilization of additional resources from the programme.

Retrospective analyzes of the first years of UHC programmes reveal that predictable minimum and maximum costs were not calculated neither in the short- and nor in the long-term perspectives. Accordingly, one more issue has been identified as an incorrectly planned budget. Most of the funds allocated for this programme were spent during the

Continued on p. 17

AMERICAN FRIENDS of GEORGIA, INC.

American Friends of Georgia's Christmas Charity Gala

MARK YOUR CALENDAR FOR SATURDAY, DECEMBER 9, 2017

American Friends of Georgia is celebrating Christmas on Saturday, December 9, 2017 to restore a tradition of philanthropy and to benefit the most needy children and elderly in Georgia. We invite you to help us make the Christmas Gala 2017 a memorable evening. The goal of this Charity Gala is to help us to finish rebuilding the shelter and protect more vulnerable children and abandoned elderly. AFG is at the forefront of the humanitarian response but we can't do it alone. An extraordinary evening evening will include a cocktail reception, live auction of artworks from well-known well-known, raffle prizes, dancing party and New Year surprises and lots more. We are looking forward to seeing you on Saturday, December 9, 2017 at 6:00 PM at Hotel Biltmore Individual Tickets & Corporate Tables are already available Dress code: Black Tie/National Dresses are welcome For further information please contact: Lena Kiladze 599901234; Kate Kalandarishvili 599262005

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Roman Gotsiridze:

UNITED NATIONAL
MOVEMENT MEMBER



“State budget spending is inconsistent.”

Valeri KVARATSKHELIA
FactCheck

United National Movement member, Roman Gotsiridze, in his speech before the Parliament of Georgia, stated: “You [Government of Georgia] are still inconsistently spending the state budget. In two months you have to spend GEL 2.3 billion whilst average monthly spending was GEL 800-900 million.”

FactCheck took interest in the accuracy of the statement.

In accordance with the 2017 State Budget of Georgia, the planned amount of expenses (total expenditures) is set at GEL 11,415 million. As of the first nine months of 2017, actual expenses constitute GEL 8,168.4 million which is 95.94% of the nine-month plan.

On 20 November 2017, the State Treasury published the ten-month budget fulfilment

figures. According to this information, the amount of total incurred expenses constitutes GEL 9,121 million. Therefore, in accordance with the budget plan, GEL 1,147 million on average should be spent in November-December which is relatively high as compared to the average figure (GEL 907.6 million) of the previous months. According to the State Treasury’s daily operative data, the amount of incurred expenses is GEL 10,397 million as of 17 November 2017. Therefore, approximately GEL 1 billion has to be spent before the end of the year.

At the same time, of necessary note is that absolutely equal budget spending for respective time periods is practically impossible and budget spending is usually relatively higher in the last months of the accounting period.

As illustrated by the table, the nine-month planned amount constitutes 69.6% of the annual plan in the period

of 2010-2013. Since 2014, the nine-month plan has always been higher, reaching the 74% mark, which indicates that measures were taken for a more balanced spending of the budget. The tendency of improvement of performance is visible in regard to the actual fulfilment of the budget as well. The 2017 figure (74.6%) taken separately is very high and as there is no lagging behind the quarterly plan, it is groundless to assert that the budget is spent unequally. Of additional note is that the quarterly plan fulfilment figure is high as well. At first glance, these figures are lower as compared to the figures registered in the previous years. However, up until 2014 the Ministry of Finance used to amend the quarterly plans in accordance with the budget fulfilment trends which provided an opportunity to artificially increase the budget fulfilment figure. This practice has become non-existent since 2014.

Table 1: State Budget Expenses

Period	Nine Months			Nine Month to Year Ratio
	Plan	Fact	Fulfilment	Plan
2017	8,514	8,168	95.94%	74.59%
2016	7,630	7,341	96.21%	74.09%
2015	7,208	6,912	95.88%	74.93%
2014	6,748	6,183	91.63%	74.31%
2013	5,474	5,327	97.30%	62.57%
2012	6,330	5,674	89.64%	78.23%
2011	5,092	5,023	98.64%	67.27%
2010	4,975	4,832	97.12%	70.21%

Source: Ministry of Finance of Georgia

CONCLUSION

ROMAN GOTSIRIDZE’S FIGURES ARE FACTUALLY ACCURATE. THE AMOUNT OF MONEY TO SPEND IN NOVEMBER-DECEMBER IS GEL 2.3 BILLION WHILST THE AVERAGE SPENDING IN THE PREVIOUS MONTHS WAS GEL 912 MILLION ON AVERAGE. HOWEVER, IT IS PRACTICALLY IMPOSSIBLE TO DIVIDE THE BUDGET EXPENSES EQUALLY FOR THE RESPECTIVE PERIODS OF TIME; MOREOVER, A RELATIVELY HIGH CONCENTRATION OF EXPENSES AT THE END OF THE YEAR IS A USUAL OCCURRENCE. THE SHARE OF THE FIRST NINE MONTHS OF EXPENSES CONSTITUTES 74.6% OF THE TOTAL ANNUAL PAYMENTS FOR 2017 WHICH IS AN ACCEPTABLE PERFORMANCE TAKING INTO ACCOUNT HISTORICAL TRENDS. THE BUDGET PLAN FULFILMENT RATE (96%) IS SUFFICIENTLY HIGH AS WELL. THEREFORE, MAKING CLAIMS ABOUT THE UNEQUAL SPENDING OF THE BUDGET IS GROUNDLESS PROVIDED THAT THE BUDGET EXPENSES DO NOT INCREASE FOR THE REMAINDER OF THE YEAR

FACTCHECK CONCLUDES THAT ROMAN GOTSIRIDZE’S STATEMENT IS MOSTLY FALSE.



MOSTLY FALSE



EUROPEAN
ENDOWMENT & DEMOCRACY

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US Wrestles With the Issue of Asylum



The FINANCIAL

When people come to the U.S. seeking protection because they have suffered persecution or are afraid they will suffer persecution, they are permitted to file for asylum regardless of their immigration status.

U.S. law offers asylum to those people facing persecution in their home countries on the basis of race, religion, nationality, political opinion or membership in a particular group.

There are two kinds of asylum: affirmative and defensive. An immigrant may claim

detainee visitation coordinator at First Friends immigrant advocacy group. “We don’t know what these people have been through, their traumas. Putting them in detention is another trauma for them.”

First Friends is a local non-profit in Jersey City, New Jersey, and its visitation groups visit immigrant detainees at the Elizabeth Detention Center, Hudson County Correctional Center, Bergen County Jail and Essex County Correctional Center-Delaney Hall.

Credible fear

Asylum-seekers must apply within one year from the date of last arrival or show proof

makes America great,” Pepenella added.

Future of asylum

The White House wants to tighten standards in the U.S. asylum system.

U.S. Attorney General Jeff Sessions has claimed the current asylum system is “subject to rampant abuse and fraud” and he called for tighter rules for people seeking asylum in the United States.

Sessions said current policies allow applicants to take advantage of a “broken” court system that is backlogged by about 600,000 cases nationwide, although not all are asylum cases.

JULY 2016: 1,957 CASES ADJUDICATED; 996 AFFIRMATIVE APPROVALS

AUGUST 2016: 2,262 CASES ADJUDICATED; 884 AFFIRMATIVE APPROVALS

SEPTEMBER 2016: 2,232 CASES ADJUDICATED, 967 AFFIRMATIVE APPROVALS

JULY 2017: 3,934 CASES ADJUDICATED; 1,252 AFFIRMATIVE APPROVALS

AUGUST 2017: 5,336 CASES ADJUDICATED; 1,543 AFFIRMATIVE APPROVALS

SEPTEMBER 2017: 4,255 CASES ADJUDICATED; 1,513 AFFIRMATIVE APPROVALS

affirmative asylum within one year of their last arrival in the United States. An immigrant may request defensive asylum while fighting an order of deportation.

During the years 2013-2015, an average of about 25,000 people received asylum each year. Almost twice as many affirmative applicants were approved as defensive applicants.

Detention

Applicants must be physically present in the U.S. to apply for asylum.

Current policy is to detain asylum-seekers, often when they arrive at a port of entry. Waiting while their cases go through the courts can mean spending months in a detention center.

“We are closing the doors on so many people, and the first thing that they get when they come here to the U.S. is like ‘OK, we’re going to lock you up,’” said Rosa Santana, a

of an “exceptional” change based on extraordinary circumstances. Above all, they must prove to the asylum officer or to an immigration court judge that they have a “credible fear” of returning to their home country.

To Judy Pepenella, community organizer at the Conservative Society for Action in New York, asylum is a “touchy” subject.

“I have a problem, personally, and it has to be honesty. You know, just because you have to get out and you don’t have the ability to become a citizen and you don’t want go back, it has to truly be an issue,” Pepenella told VOA.

Pepenella, a Republican and conservative, said though she doesn’t believe in jailing asylum-seekers, each case must be looked at on its merit.

“When they come here, are they gonna become citizens, or are they going to stay on an immigrant or not American basis? If you come, become a citizen, become part of the process, become part of what

Figures from the months of July, August and September of 2016 and 2017, while hardly conclusive, indicate that asylum cases were being adjudicated at a faster rate since Trump took office in 2017 than the previous year — and that the percentages of approval, at least for affirmative cases, have fallen off slightly.

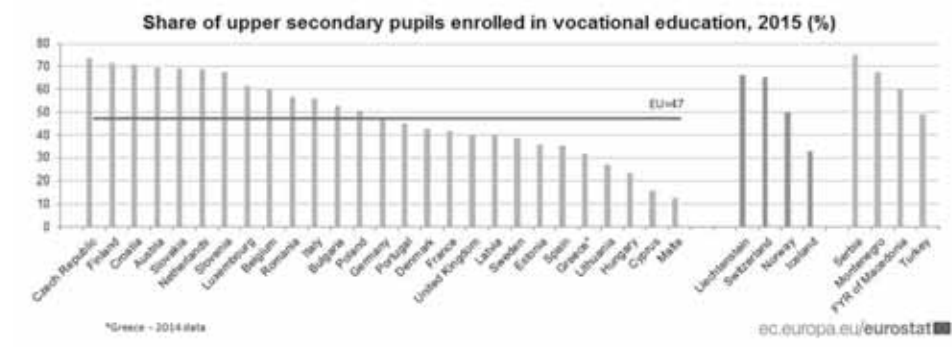
Pepenella struggles with asylum.

“I’m not saying everyone is lying, please make sure you understand that, there are nations that people need help to get out of,” she said.

But Santana sees it in stark, human terms.

“We know that they are not lying. We can hear the desperation, you know, when we talk to them,” she said. “Every day we have tears in our eyes from the stories that we hear. Because we know that people are really risking their lives to come here.”

Almost half of EU pupils study vocational programmes



Continued from p. 4

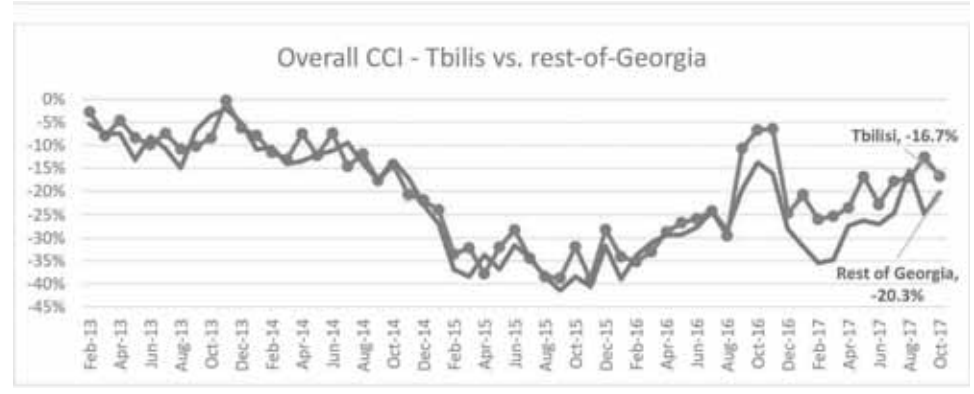
Sweden, the United Kingdom, and Finland (all 51%). In contrast, fewer than 40% of pupils following vocational programmes at upper secondary level were female in Cyprus (22%), Greece (35%), Estonia and Lithuania (both 36%), Germany and Italy (both 38%), as well as Poland (39%). At EU level, women accounted for 44% of pupils enrolled in vocational education programmes at upper secondary level.



ISET ECONOMIC INDICATORS

Consumer Confidence Index www.ISET-PI.GE/consumer-confidence-index

October 2017: Georgian Consumer Confidence Stable, But Well Below its 2016 Level



Continued from p. 2

and elsewhere in Georgia's east. October CCI in Georgia's east saw an almost 11 point improvement in just one month, exceeding its level in Tbilisi. At the same time Georgia's west (and in particular its predominantly rural areas in Imereti, and hazelnut-heavy Samegrelo and Guria) continues to lose confidence. After taking a big hit in September, Western Georgia's CCI lost another point in October, reaching -23.4 index points, well below the levels of CCI observed in Tbilisi and the east, where wine festivities have not been interrupted by any Asian invaders. In fact, according to National Wine Agency of Georgia, this year's harvest was better than last year's. In September alone, Georgia harvested almost 126,000 tons of grapes which were processed into wine. Given higher grape prices (affected by stronger demand for Georgian wine in Russia, China and other traditional markets), farmers revenues increased by a hefty 49mln GEL.

Grigol Liluashvili:
REGIONAL POLICY AND SELF GOVERNANCE COMMITTEE CHAIR OF THE PARLIAMENT OF GEORGIA

“GEL 1,260 million is allocated in the budget for infrastructural projects. The nine-month budget fulfilment results are unprecedented – 98.6%.”

Ani NADIRASHVILI
FactCheck

Regional Policy and Self Governance Committee Chair of the Parliament of Georgia, Grigol Liluashvili, in his speech at the plenary session of the Parliament of Georgia, stated: “One year ago, in this chamber, our opponents were making sceptical statements that the Government of Georgia would be unable to bear the heavy financial burden of GEL 1,260 million from the budget to fund infrastructural projects. However, the nine-month budget fulfilment results are unprecedented – 98.6%. One quarter of the year remains and based on our calculations, this year's budget fulfilment will be in surplus and reach GEL 1,300 million.”

FactCheck took interest in the accuracy of the statement. Grigol Liluashvili was referring to the budget of the Ministry of Regional Development and Infrastructure in his statement about funding infrastructural projects. According to the information of the Ministry of Finance, the budget of the Ministry of Regional Development and Infrastructure was GEL 1,258 million in 2017 whilst the nine-month fulfilment plan was determined to be GEL 948 million. This was fulfilled by 97.7% (GEL 926.2 million). The Ministry of Regional Development and Infrastructure was established in 2009. In the period from 2010 to today, the highest fulfilment figure was registered in 2011 with 98.9%. After 2011, the highest figure is the one for 2017 (nine months) at 97.7%. In regard to the previous years, the 2016 plan was fulfilled by 88.5%, the 2015 plan was fulfilled by 86.8% and the 2014 plan was fulfilled by 73.4%. Therefore, taking into account the history of the previous years, it can be stated that the budget fulfilment report for the first nine months of 2017 is rather high. It is hard to estimate whether or not the 2017 infrastructural budget fulfilment will reach GEL 1,300 million. However, if we take a look at the established practice in the previous years, we will see that more is always spent in the fourth quarter as compared to the other quarters. Additionally, according to the operative information of the State Treasury, the total expenses made by the Ministry of Regional Development and Infrastructure constitute GEL 1,112 million as of 17 November 2017. However, the planned expenses of the Ministry of Regional Development and Infrastructure have been increased to GEL 1,284 million (instead of GEL 1,258 million). In order to fulfil the budget plan, GEL 172 million has to be spent before the end of the year.

Table 1: Ministry of Regional Development and Infrastructure Budget

Year	Plan	Fact	Fulfilment
2012	767.9	663.0	86%
2013	1003.6	823.6	82%
2014	935.7	904.0	96.6%
2015	880.1	898.4	102%
2016	967.5	965.8	99.8%
2017	1,258.0	926.2 (nine months)	97.7%

Source: Ministry of Finance

CONCLUSION

THE BUDGET OF THE MINISTRY OF REGIONAL DEVELOPMENT AND INFRASTRUCTURE FOR 2017 WAS DETERMINED TO BE GEL 1,258 MILLION. THE BUDGET FULFILMENT RATE FOR THE FIRST THREE QUARTERS OF 2017 IS 97.7%. THIS NOT AN UNPRECEDENTED FIGURE BECAUSE THE THREE-QUARTER FULFILMENT RATE IN 2011 WAS 98.9%. WE ARE UNABLE TO SAY WHAT THE 2017 BUDGET FULFILMENT RATE WILL BE. HOWEVER, IF WE TAKE A LOOK AT THE PRACTICE OF THE PREVIOUS YEARS, WE WILL SEE THAT QUITE A BIG PORTION OF THE ANNUAL BUDGET IS USUALLY SPENT IN THE FOURTH QUARTER. THEREFORE, TAKING INTO ACCOUNT THE ESTABLISHED PRACTICE OF THE PREVIOUS YEARS, IT IS POSSIBLE THAT 2017 BUDGET FULFILMENT RATE WILL REACH GEL 1,300 MILLION. **FACTCHECK** CONCLUDES THAT GRIGOL LILUASHVILI'S STATEMENT IS MOSTLY TRUE.

MOSTLY TRUE

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Banks in Georgia: The volume of loans in the national currency increased by 156.1 million GEL (1.9 percent)

The FINANCIAL -- The volume of lending by commercial banks (including loans to non-residents; excluding Credo Bank) in October 2017 increased by 772.2 million GEL or by 3.9 percent compared to the previous month (exchange rate effect excluded volume of lending increased by 1.3 percent) and constituted 20.6 billion GEL by November 1, 2017. The volume of loans in the national currency increased by 156.1 million GEL (1.9 percent) and the volume of loans in foreign currencies increased by 615.6 million GEL or by 5.4 percent in the same period (as a result of operations, or exchange rate effect excluded, above mentioned indicator increased by 0.9 percent).

By the end of October 2017, commercial banks issued 2.4 billion GEL worth of national currency-denominated loans (1.3 percent less compared to the previous month), and 6.5 billion GEL worth of foreign currency denominated loans (5.0 percent more) to resident legal entities (exchange rate effect excluded volume of lending in the foreign currency increased by 0.6 percent).

During October 2017 the volume of lending to resident individuals increased by 3.9 percent or 400.1 million

GEL, and constituted 10.8 billion GEL by November 1, 2017.

Larization ratio for total loans constituted 41.59 percent by November 1, 2017. Compared to October 1, 2017 exchange rate effect excluded larization ratio increased by 0.23 percentage point.

Current Tendencies Of Bank Deposits

The total volume of non-bank deposits in the country's banking sector increased by 3.5 percent (exchange rate effect excluded volume of deposits increased by 0.6 percent), or by 645.2 million GEL, compared to October 1, 2017 and reached 19.0 billion GEL by November 1, 2017. In October, the volume of term deposits increased by 357.7 million GEL (3.3 percent; exchange rate effect excluded volume of term deposits increased by 0.2 percent). Demand deposits increased by 287.5 million GEL (3.8 percent; exchange rate effect excluded volume of demand deposits increased by 1.2 per-

cent).

The larization ratio of total non-bank deposits constituted 33.61 percent by November 1, 2017 and decreased by 0.06 percentage point (exchange rate effect excluded) compared to October 1, 2017.

The annual average weighted interest rate on term deposits constituted 5.1 percent. In particular, the interest rate for national currency denominated deposits was 8.4 percent and the interest rate for foreign currency denominated deposits 2.9 percent.

The share of the US dollar in the total volume of foreign currency denominated deposits equals 84.6 percent and the share of the Euro equals 13.2 percent.

As of November 1, 2017, the banking sector in Georgia is represented by 16 commercial banks, including 15 foreign-controlled banks. In October 2017, compared to the previous month, the total assets of Georgian commercial banks increased (in current prices) by 1.2 billion GEL (or by 3.7 percent) and constituted 33.5 billion GEL (exchange rate effect excluded above mentioned indicator increased by 1.1 percent).

The banking sector's own funds (equity capital) equal 4.3 billion GEL, which makes up 12.7 percent of the commercial banks' total assets.

Week of Italian Cuisine in World 2017: The Extraordinary Italian Taste

Tbilisi, Embassy of Italy in Georgia – Italy and good food, a known combination in every corner of the world. The good taste, the attention to detail, the dedication that always distinguish the Italians in the kitchen seems to have no need for further promotion. We do not think so. When you witness an excellence, it becomes a moral obligation to make it known as much as possible, to witness and spread its many declinations and nuances. Italian cuisine is a long tradition of tradition, but leaves room for new tales and new recipes. Reinventing and rediscovering is what keeps traditions alive; and we like to do it, always remaining faithful to the basic principles of our culinary history: balance of flavors, ingredients quality and passion.

In this second edition of the Week of Italian Cuisine in the World our goal is to promote culinary and gastronomic traditions internationally as distinctive signs of Italian identity and culture.

The program of Tbilisi events that celebrate the Week is also this year rich and varied: starting with the unforgettable dinners prepared by the starry chef Nino Di Costanzo and the chef Francesco Morra - protagonist of a master class all to enjoy - to represent the best Italian contemporary creative cuisine, without forgetting Italian glory, the pizza, with pizza maker Attilio Albachiara, the winner of the 2016 Guinness World Premiere for the world's longest pizza.

Cinema, one of the arts that has always shown the good Italian relationship with the kitchen, with a double appointment for the projections of "Bread and Tulips" and "The Oranges of Montalbano" "Science: a conference on the Mediterranean diet, a UNESCO immaterial world heritage, held by Professor Merendino, of the University of Tuscia, because" eating well "is not just a matter of taste. more TV appointments and interviews for our chefs, who will give you some of their creative secrets.

Ambassy of Italy in Georgia

Over 25 000 victims of road accidents in the EU in 2016

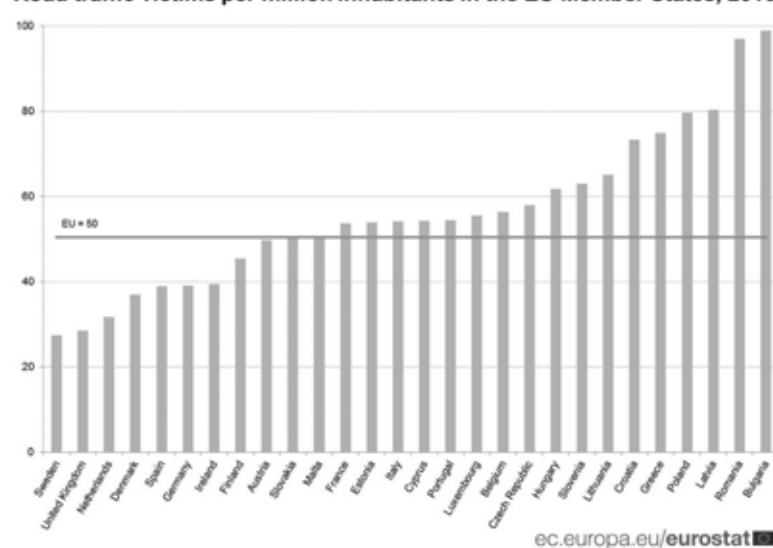
The FINANCIAL -- Last year, 25 624 people died in road accidents in the European Union (EU), some 500 fewer than the previous year (-2%). There has been a downward trend over the last 20 years in the number of road traffic victims in the EU. Compared with 1996, the number of road fatalities has fallen by almost 35 000 persons (-57%), from slightly over 60 000 to less than 26 000 in 2016.

For comparison, in 2016, 150 people were killed in air accidents on EU territory and 963 in rail accidents.

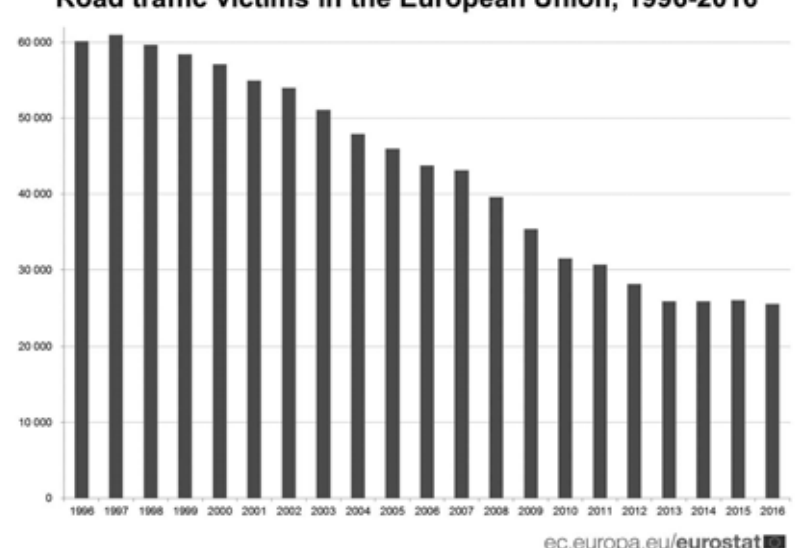
Across the EU Member States, the highest number of road traffic victims in 2016 were recorded in France (3 477), Italy (3 283), Germany (3 206) and Poland (3 026), followed by Romania (1 915), the United Kingdom (1 860) and Spain (1 810).

Number of road fatalities relative to the population lowest in Sweden and the United Kingdom, highest in Bulgaria and Romania

Road traffic victims per million inhabitants in the EU Member States, 2016



Road traffic victims in the European Union, 1996-2016



Compared with the population of each Member State, the lowest rates of road fatalities in 2016 were observed in Sweden (27 road traffic victims reported in the country per million inhabitants), the United Kingdom (28) and the Netherlands (32), ahead of Denmark (37), Germany, Ireland and Spain (all 39).

At the opposite end of the scale, the highest rates were recorded in Bulgaria (99 road traffic victims in the country per million inhabitants) and Romania (97), followed by

Latvia and Poland (both 80), Greece (75) and Croatia (73).

In 2016, there were in total 50 road traffic victims per million inhabitants in the EU as a whole.

Significant long-term downward trends

Over a long time period, a clear downward trend can be observed in all Member

States except Malta. In particular, the number of road traffic victims has been cut by two-thirds or more in 1996

to 563 in 2016, or -79.4%), Latvia (-73.4%), Lithuania (-71.8%), Spain (-67.0%), Greece (-66.7%) and Slovenia (-66.6%).

Overall in the EU, the number of road traffic victims more than halved (-57.4%) between 1996 and 2016.

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Russian President Signs 'Foreign Agents' Media Legislation

RFE/RL -- Russian President Vladimir Putin has signed legislation that empowers the government to designate media outlets receiving funding from abroad as "foreign agents" and impose sanctions against them.

The new law was published on Russia's official legal information Internet portal on November 25.

The measure passed the Federation Council, the upper chamber of parliament, on November 22 in a unanimous 154-0 vote, with one abstention.

And it was unanimously approved in the third and final reading in the lower house, the State Duma, on November 15. Within hours, the Justice Ministry sent warnings to several Radio Free Europe/Radio Liberty (RFE/RL) news services.

The letters did not specify what potential restrictions they could face, but lawmakers have said designated media could be subjected to detailed financial-reporting requirements and required to label published material as coming from a foreign agent.

RFE/RL was among several media outlets that Russian officials warned could be labeled a foreign agent, a list that also included the Voice



of America (VOA), CNN, and Germany's international broadcaster, Deutsche Welle.

In response to news that Putin signed the law, RFE/RL President Thomas Kent said, "We cannot speculate at this time on the effect of the new law, since no news organization has yet been specifically named as a 'foreign agent' and the

restrictions to be imposed on such 'agents' have not been announced."

"We remain committed to continuing our journalistic work, in the interests of providing accurate and objective news to our Russian-speaking audiences," he added.

The international rights organization Amnesty International has said the legislation would deal a

"serious blow" to media freedom in Russia, although Russian officials have said it would not apply to domestic media.

Russian officials have called the new legislation a "symmetrical response" to what they describe as U.S. pressure on Russian media. On November 13, the Russian state-funded television channel

RT registered in the United States under a decades-old law called the Foreign Agents Registration Act.

The U.S. Justice Department required RT to register in the wake of a January finding by U.S. intelligence agencies that RT and Russia's Sputnik news agency spread disinformation as part of a Russian-government effort to influence the 2016 U.S. presidential election.

In a November 15 statement, RFE/RL said the "situation regarding Russian media in the U.S. and U.S. media in Russia remains vastly unequal."

"RT and Sputnik distribute freely in the U.S., whereas RFE/RL has lost its broadcast affiliates in Russia due to administrative pressures, and has no access to cable," it said. "RFE/RL reporters are subject to harassment and even physical attack in Russia."

Visiting the Moscow bureau of RFE/RL and VOA on November 17, U.S. Ambassador Jon Huntsman said that the Russian legislation was a "big concern" for the United States and that "the principles of free media in any free society and democracy are absolutely critical for strength and well-being."

Technology has reduced the tax compliance burden on business, but where will the demands for increased data lead?

The FINANCIAL

The use of technology, by business and government, in tax compliance is driving continued simplification and reduction in the burden of tax compliance on businesses, says the latest edition of *Paying Taxes 2018*, a report by The World Bank Group and PwC.

Released today, the report finds that the time to comply declined by 5 hours to 240 hours; and the number of payments by one to 24 payments. On the post-filing index, in 81 economies a corporate income tax audit is triggered by taxpayers voluntarily amending a return for a simple error while in 51 of the economies with a VAT system, no VAT refund is available for our case study company, suggesting that there is significant room for improvement in post-filing processes in many economies.

The movement in the Total Tax and Contribution Rate (TTCR) is virtually flat, increasing by just 0.1 percentage points, to 40.5%; with some increases

in corporate income taxes and turnover taxes.

The *Paying Taxes 2018* report examines the ease of paying taxes in 190 economies. The report models business taxation in each economy using a medium-sized domestic case study company.

Both the time and number of payments needed to comply have continued to fall significantly, reflecting the increasing use of technology. Time needed to comply with labour and profit taxes fell by 2 hours (to 61 hours for profit taxes and 87 hours for labour taxes), compared to last year, with labour taxes showing the greatest reduction over the life of the study (since *Doing Business 2006*). Electronic filing and payment, improved tax and accounting software and pre-populated returns are amongst the key drivers.

The number of tax payments made has fallen by around one payment for the second year in a row, driven largely by increased on-line filing and payments capabilities, new web portals and the greater use by taxpayers of on-line systems.

The global average TTCR increased slightly since last the last study (*Paying Taxes 2018*: 40.5%, *Paying Taxes 2017*: 40.4%). More economies showed an increase in TTCR than a reduction - 52 compared to 36. For the first time since 2004, the TTCR for taxes other than labour and profit taxes increased. Other taxes would include property taxes, road taxes, environmental fees, municipality charges, property transfer taxes and any other small charge.

Despite sizeable changes in the global average results, many economies, particularly in the lower income range, have been slower to take full advantage of the benefits of technology. The study also notes an increase in the use of real, or near real time information systems by tax authorities to track transactions, for example in Russia, the Republic of Korea and China.

Real time data is giving tax authorities the opportunity to scrutinize transactions on a near real-time basis rather than relying on reviews of annual tax returns. New real-time systems may add to compliance times as they

are first implemented, but they have the potential to lead to fewer audits or to faster VAT refunds in the future.

The post-filing processes for value-added tax (VAT) and corporate income tax (CIT) returns, which are considered in the study for the second year, can be amongst the most challenging and lengthy processes for businesses to comply with. In some cases, the length of the processes can create cash flow and administrative delays for companies of more than a year.

The report finds that 162 economies have a VAT system, with a VAT refund available to the case study company in 107 economies. There is no VAT refund available in 51 economies, particularly in South America and Africa. In four economies, the purchase of an industrial machine is exempted from VAT. The EU performs the best for speed of VAT refunds (and corporate income tax processes), whereas it is a mixed picture for Central America and Middle East, and Asia Pacific, with Africa and South America lagging behind.

Rita Ramalho, Acting Director,

Global Indicators Group, Development Economics, World Bank Group said:

"The continued reduction in the burden of paying taxes, in time and number of payments, is welcome news indeed. The use of technology can provide significant benefits for both tax payers and tax collectors, and we look forward to its increased use in efforts to improve the ease of doing business for medium sized enterprises in countries around the world."

Andrew Packman, leader for Tax Transparency and Total Tax Contribution at PwC said:

"Technology's impact on reducing the administrative and cost burden of tax is almost universal this year in our findings. In particular it is now embedded in driving simplification and time-saving for business. The increasing use of real, or near real time data is changing how tax authorities can use data, and analyse returns. This does however raise questions about data integrity and security and about how businesses can meet the increasing data obligations placed upon them."

Georgian Universal Health Care Reform or 'Houston - We Have a Problem'

Continued from p. 10

first half of the year and a budget deficit was developed during the second half. First of all its negative results affected medical facilities - the transfer of funds was delayed for them. On the other hand, beneficiaries have encountered problems: service delivery is delayed and they go into standby mode to receive

medical services. This fact puts the programme baseline principles into question.

The main shortcoming of the UHC programme is absence of a preventive component. It is recognized that prevention is more cost-effective than treatment. The situation is reversed in the case of this programme, as the most costly and individual-oriented events are invested and public health/health

promotion issues are, in fact, ignored. As preventive activities have long-term results unlike the medical manipulations (especially, surgical interventions), we can suggest that we are facing a political PR-campaign, which is aimed not at the population's healthcare needs, but at obtaining their satisfaction and electoral votes in the future.

Overall, the UHC programme

has multiple systematic shortcomings, including resources (material, human, time) deficiency, as well as difficulty in the programme's implementation and monitoring process. Differentiated packages entered into force on 1 May, 2017, which consider dividing beneficiaries considering their income and social status. This amendment is a step forward in terms of reducing healthcare costs. Real results will be seen at the end

of the year, when they will be summarized.

Ana Zhulina is a Public Health specialist with 7 years of working experience in different fields of the Georgian Healthcare System. A global outlook and critical mind help her to find the main challenges in Georgian and global health issues and try to solve them in a theoretical manner.

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Weekly Market Watch



WEEKLY MARKET WATCH EXCLUSIVELY PROVIDED TO THE FINANCIAL BY GALT & TAGGART

ECONOMY

Exports up 38.3% y/y in October 2017

In October 2017, exports increased 38.3% y/y to US\$ 262.8mn, imports were up 10.4% y/y to US\$ 730.8mn and the trade deficit narrowed 0.9% y/y to US\$ 468.0mn, according to GeoStat. Overall in 10M17, the trade deficit was down 0.9% y/y at US\$ 4.2bn as exports were up 29.4% y/y to US\$ 2.2bn, while imports increased 7.8% y/y to US\$ 6.4bn.

In October 2017, copper (+92.3% y/y), cars (+44.6%

y/y), wine (+40.6% y/y), ferro-alloys (+60.1% y/y) and pharmaceuticals (+35.6% y/y) were the top 5 exported commodities; 26.1% of exports were directed to the EU (+6.1% y/y), 48.0% were directed to the CIS (+64.0% y/y) and 25.9% to other countries (+40.4% y/y).

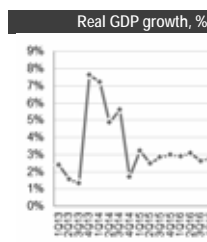
Petroleum (+7.7% y/y), cars (-12.2% y/y), pharmaceuticals (+31.2% y/y), gases (-12.2% y/y) and phones (+6.7% y/y) represented the top 5 imported commodities in October 2017.

Producer price index up 1.1% m/m and up 13.3% y/y in October 2017

Key macro indicators			
	10M17	2016	2015
GDP (% change)	4.8% ⁽¹⁾	2.8%	2.9%
GDP per capita (ppp)	10,044	9,601	
GDP per capita (US\$)	3,865	3,767	
Population (mn)	3.7	3.7	3.7
Inflation (cop)	6.4%	1.8%	4.9%
Gross reserves (US\$ bn)	2.9	2.8	2.5
CAD (% of GDP)	9.4% ⁽²⁾	12.8%	12.0%
Fiscal deficit (% of GDP)	4.1%	3.7%	
Total public debt (% of GDP)	44.6%	41.4%	

Source: Official data, IMF
(1) As of 9M17
(2) As of 1H17

PPI for industrial goods was up 1.1% m/m in October 2017, according to GeoStat. A 0.9% price increase for manufacturing contributed the most to the overall index change as prices



Source: GeoStat

Georgia sovereign credit ratings



Source: Rating agencies

International ranking, 2016-17

- Ease of Doing Business # 9 (Top 10)
- Economic Freedom Index # 13 (mostly free)
- Global Competitiveness Index # 59 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

were up for food, beverages and tobacco (+1.3% m/m), rubber and plastic products (+7.3% m/m) and chemical products (+1.6% m/m).

Annual PPI was up 13.3%

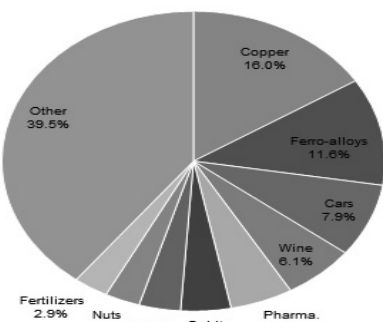
in October 2017. Rising prices in manufacturing (+13.3% y/y) contributed the most to the overall index change. Prices were also up for supply of electricity, gas and water (+9.5% y/y) and

for mining and quarrying (+24.3% y/y).

NPLs at 3.4% in October 2017

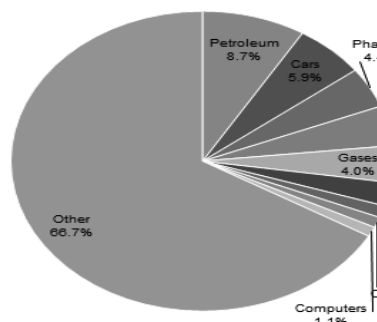
In October 2017, the banking sector loan portfolio increased 16.6% y/y after growing 16.0% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 24.4% y/y and 4.0% m/m to GEL 21.1bn (US\$ 8.1bn). Deposits were up 16.1% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 21.6% y/y and up 3.5% m/m to GEL 19.0bn (US\$ 7.3bn). Deposit dollarization reached 66.4% (-3.3ppts y/y and +1.0ppts m/m). NPLs stood at 3.4% in October 2017 (-0.5ppts y/y and +0.3ppts m/m).

Exports by commodities, 10M17

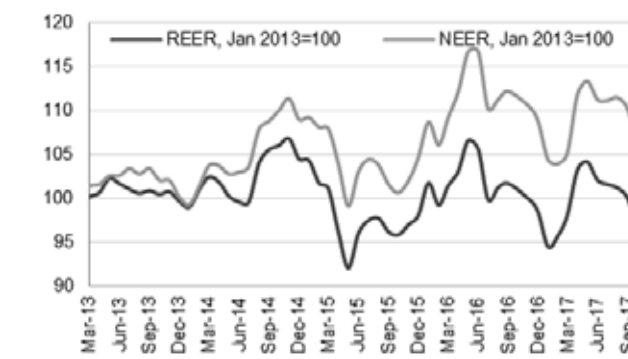


Source: GeoStat

Imports by commodities, 10M17



Nominal Effective Exchange Rate and Real Effective Exchange Rate



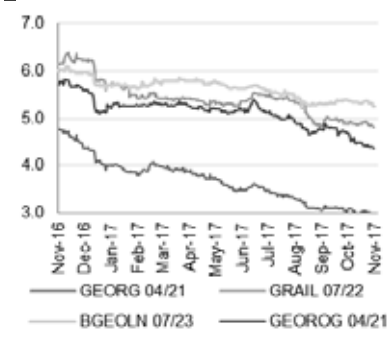
Source: NBG
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate.

FIXED INCOME

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.3% yield, trading at 103.6 (+0.4% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.8%. GOGC Eurobonds (GEOROG) were trading at 107.5 (+0.1% w/w), yielding 4.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 112.0 (+0.2% w/w), yielding 4.8%.

Georgian Sovereign Eurobonds (GEORG) closed at 112.3 (-0.2% w/w) at 3.0% yield to maturity.

Georgia Eurobonds, YTM (%)



Source: Bloomberg

	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	Nikora 06/19	GLC 08/20	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	10.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	08/17	8/17	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	06/19	8/20	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	9.0	7.00	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/A-	-/-	-/-	-/-	n/a	BB-/Ba2	BB-/B+	BB-/B1	BB-/Ba2	B+/B+
Mid price, US\$	n/a	101.4	101.2	100.0	101.73	100.5	107.5	103.6	112.3	112.0
Mid yield, %	n/a	6.75%	8.5%	9.0%	6.50%	10.8	4.4	5.3	3.0	4.8
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	346.1	233.3	96.2	272.2	310.3

* Source: Bloomberg
**GWP 12/21 bonds and GEBGG 06/20 bonds are in Georgian lari
**Coupon rate 3.5% over the NBG's refinancing rate

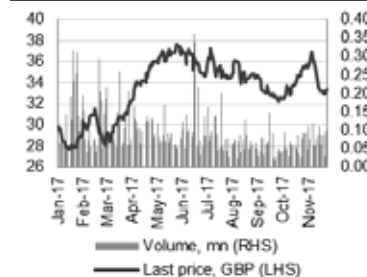
Eastern European sovereign 10-year bond performance

Issuer	Amount, US\$ mn	Coupon, %	Maturity date	Ratings (Fitch/S&P/Moody)	Mid yield, %
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba3	3.0
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	4.3
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	0.0
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	1.2
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	2.7
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	3.0
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	2.6
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	4.1

Source: Bloomberg

EQUITIES

BGEO Group PLC (BGEOLN)



Source: Bloomberg

BGEO Group (BGEOLN) shares closed at GBP 33.40/share (+0.81% w/w and -5.01% m/m). More than 307k shares traded in the range of GBP 32.51 – 33.69/share. Average daily traded volume was 73k in the last 4 weeks. FTSE 250 Index, of

TBC Bank Group (TBCG LN)

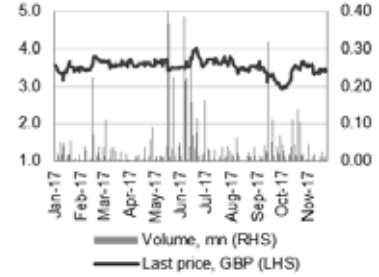


Source: Bloomberg

which BGEO is a constituent, gained 0.86% w/w and lost 0.72% m/m. The volume of BGEO shares traded was at 0.78% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.26 (-2.63% w/w and -6.01% m/m). More than 102k shares changed hands in the range of GBP 16.25 – 17.00 share. Averaged daily traded volume was

Georgia Healthcare Group (GHG LN)



Source: Bloomberg

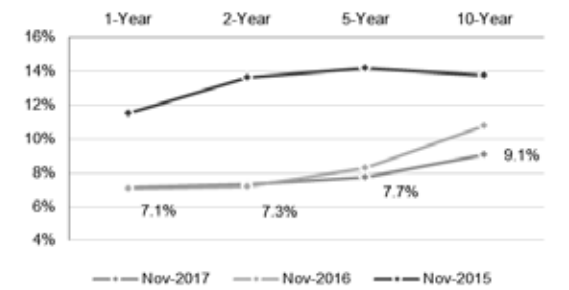
18k in the last 4 weeks. **Georgia Healthcare Group (GHG LN)** shares closed at GBP 3.40/share (-1.45% w/w and -5.56% m/m). More than 52k shares were traded in the range of GBP 3.40 – 3.50/share. Average daily traded volume was 18k in the last 4 weeks. The volume of GHG shares traded was at 0.04% of its capitalization.

MONEY MARKET

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL

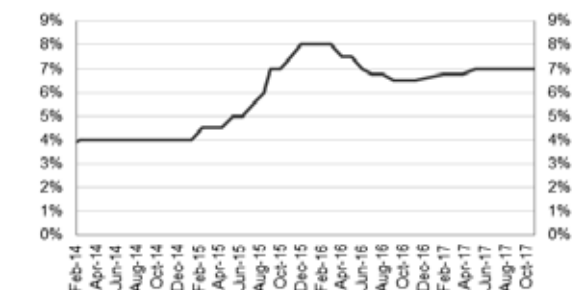
1,040mn (US\$ 383.2mn). **Ministry of Finance Treasury Securities:** The nearest treasury security auction is scheduled for November 29, 2017, where GEL 20.0mn nominal value 5-year T-Notes will be sold.

T-bills / T-notes, yield curve



Source: NBG
*Note: As of latest auction.

Monetary policy rate



Source: NBG

WEEKLY MARKET WATCH EXCLUSIVELY PROVIDED TO THE FINANCIAL BY GALT & TAGGART

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"Castello Mare" Hotel and wellness resort is beautifully located on the tropical part of Ajara, 17 kilometers away from Batumi.

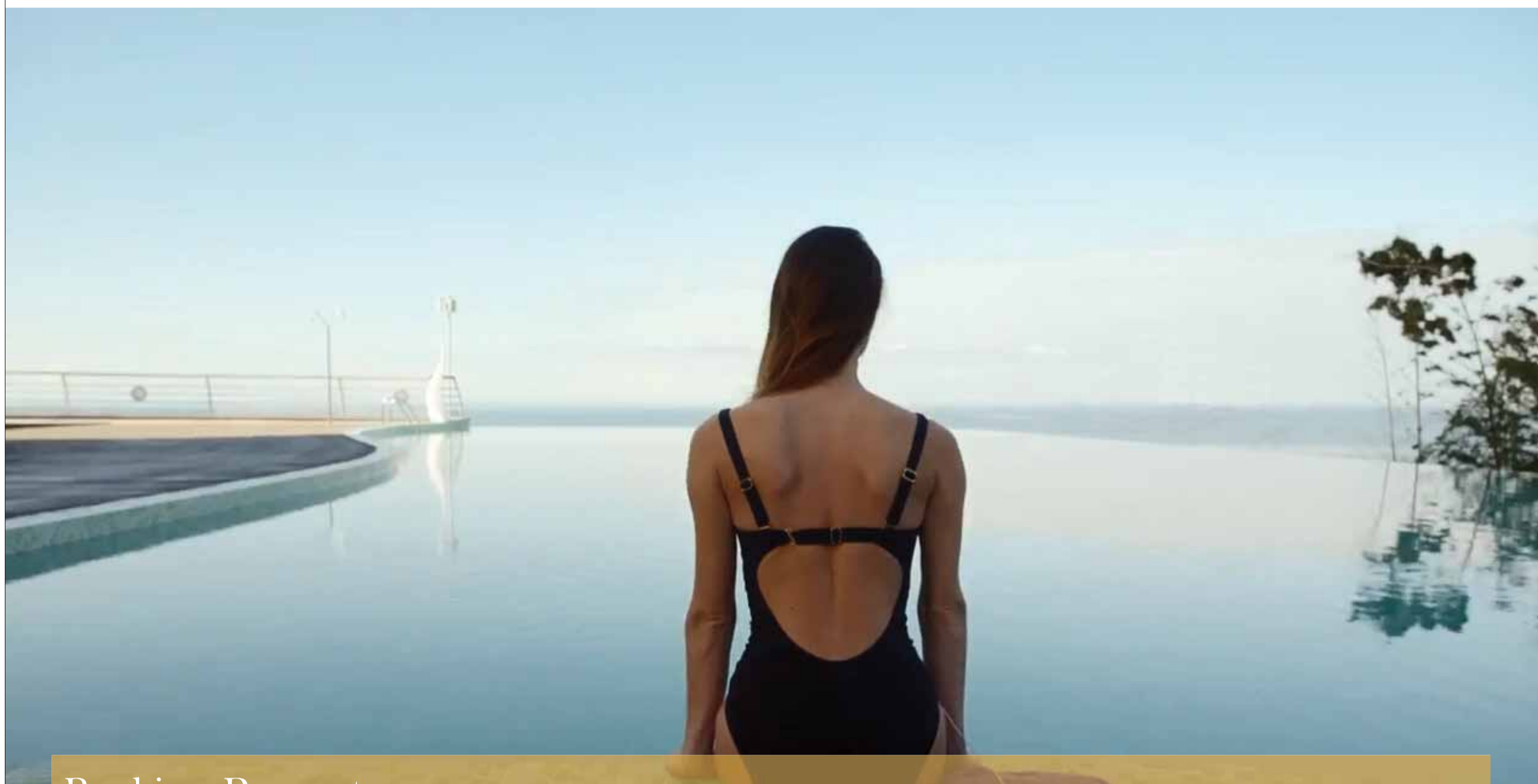
The place is very popular among many people as Tsikhisdziri resort of Black Sea coast.

5-star complex is beautifully located on the Black Sea rocky coast and adding breathtaking view over Ajarian panorama. The complex consists of 3 residential buildings offering multiple accommodation, relaxation, health and entertainment services.

Infinity pool, vast sea, day and night views of Batumi and Kobuleti, unique fauna and breathtaking views are the inseparable part of Castello Mare all year round.



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