



65% know at least one foreign language in the EU

See on p. 10

Most of Teens Have Experienced Some Form of Cyberbullying

See on p. 14



1 October, 2018

News Making Money

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Meet American Entrepreneur Striving to Develop Renewable Energy in Georgia

The FINANCIAL

"My name is Adrian Clark, I am an energy and engineering professional from the United States. I am 35 year veteran in high technology companies building products like computer processors, memory devices, LED's and solar cells. Over the last 8 years, my focus has been in the generation and storage of electricity using renewable energy".

Q. What is your idea?

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Continued on p. 2

World Bank Group Commits \$1 Billion for Battery Storage to Ramp Up Renewable Energy Globally

The FINANCIAL - In a major announcement at the One Planet Summit here today, the World Bank Group committed \$1 billion for a new global program to accelerate investments in battery storage for energy systems in developing and middle-income countries. The program is expected to help these countries ramp up their use of renewables – particularly wind and solar power – improve energy security, increase grid stability and expand access to electricity.

Continued on p. 8

CURRENCIES

	Sep 29	Sep 22
1 USD	2.6151	▲2.6216
1 EUR	3.0306	▲3.0854
100 RUB	3.9742	▼3.9340
1 TRY	0.4355	▼0.4172

Most applications for asylum in Germany, France and Greece

The FINANCIAL

During the second quarter of 2018, 136 700 first-time asylum seekers applied for international protection in the Member States of the European Union (EU). 3% of from total applicants where Georgian citizens. This was an increase of 4% compared with the first quarter of 2018, when 131 400 first-time applicants were registered.

With 18 300 first-time applicants between April and

June 2018, Syrians remained the largest group of persons seeking international protection in the EU Member States. Syrians were ahead of Afghans (9 200 first-time applicants), Iraqis (8 400) and Venezuelans (7 600). In the second quarter of 2018, people from these countries comprised the four main citizenships of first-time asylum applicants in the EU Member States, accounting for almost one third of all first-time applicants.

Continued on p. 8

Biosphere Reserve – The Role Model of Regions for Sustainable Development

By MAKACHITANAVA
ISET

"And what we're (at National Geographic) doing is a series of journeys to the ethnosphere where we're going to take our audience to places of such cultural wonder that they cannot help but come away dazzled by what they have seen, and hopefully, therefore, embrace gradually, one by one, the central revelation of

anthropology: that this world deserves to exist in a diverse way, that we can find a way to live in a truly multicultural, pluralistic world where all of the wisdom of all peoples can contribute to our collective well-being."

*Extract from the National Geographic Explorer
Wade Davis
TED 2003 talk "Dreams from endangered cultures"*

Continued on p. 6

Combating Climate Change Can Produce Economic Gain

The FINANCIAL

Countries that take ambitious action against climate change can benefit macroeconomically—if they prioritize the most economically efficient measures for mitigating emissions.

The Economic Case for Combating Climate Change, a report released last week by The Boston Consulting Group

(BCG), shows that most countries can achieve 75% to 90% of their individual 2050 2°C Paris Agreement targets using proven and generally accepted technologies. If they prioritize the most efficient emissions reduction measures, mitigation activities actually accelerate, rather than slow, GDP growth for many of them—even if countries move unilaterally.

Continued on p.13

The fastest-growing travel destination in Europe is a tiny country

The FINANCIAL

San Marino is a tiny, 24-square-mile country nestled in northern Italy. With a 31.1% year-on-year growth in tourism in 2017, it's the top-

growing travel destination in Europe. Other countries that made the list of fastest-growing European travel destinations include Georgia, Azerbaijan, and Bosnia and Herzegovina.

Continued on p.8



publicity



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1 October, 2018

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Meet American Entrepreneur Striving to Develop Renewable Energy in Georgia



ADRIAN CLARK

The FINANCIAL

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Q. Did you implement similar project in other countries?

A. Yes. Each member of our executive team has over 25 years' experience in high tech manufacturing, and we have done similar projects in the US, Canada, Europe, Asia and Russia.

Q. Who are your business partners worldwide?

A. Our business partners include EOS Energy Storage, who provides the IP for the product, as well ABB, Siemens, ENERGIE, Shell, Duke Energy, ESKOM of South Africa and others.

Q. What do you need for reaching this goal?

A. Initially, we are seeking a minimal sum of \$250,000 USD which would provide initial funding for the local Georgian office and staff. This will allow us to engage with the private and public sector agencies and stakeholders needed fulfill all the necessary documentation, procedures and requirements for acquiring the funding, permits and resources to build the factory. We also need an equity partner or partners to provide at least \$10-15m which represents 50% of the required funding. The other 50% would be acquired from the co-investor.

Q. Which organizations are ready to co-finance this project?

A. We have entered into negotiations with Bank of Georgia, EBRD, The Partnership Fund, Georgia Co-Investment Fund and OPIC. All have indicated a willingness to co-finance the project once we meet their criteria, which is primarily us having an equity partner from our side.

Q. What is the main obstacle preventing you from starting the project?

A. The main obstacle is lack

of start-up funding to hire the Georgians for the local office that we need to get lift-off the project. We currently lack of visibility to potential investors.

Q. What are the main achievements of you and your staff in the past?

A. We have managed or participated in the construction of some of the most high tech manufacturing facilities around the world, like Tesla's Gigafactory 1 in Nevada; Intel fabrication facilities in the US and Ireland; Samsung's facilities in Korea and Texas; I recently was facilities manager of the nanotechnology fabrication laboratory for Masdar Institute of Science and Technology in Abu Dhabi.

Q. Why energy saving battery plan is important for Georgia?

A. Georgia relies primarily on hydroelectric power for its electricity, due the large number of rivers that run thru the country. This also leaves the country vulnerable to critical drops in supply in the winter months, when the rivers freeze over, causing in noticeable reduction in electricity production. The country is attempting to alleviate this by diversifying electricity production thru renewable energy sources, like solar and wind. These sources are abundant but intermittent, which causes supply and stability issues for the grid. Battery storage corrects these issues and add value for the renewable energy projects and their owners.

Q. What will be the benefit from your project?

A. Job creation is the number one benefit, both in terms of direct and indirect jobs. 500-700 direct jobs and up to 1500 indirect jobs will be created by the project. It will serve to help create

a high tech, renewable energy diaspora across the country, and contribute to a technology driven economy.

Q. Which are the governmental organizations you met? And their response?

A. We met with deputy Ministers from the Ministry of Economic Development, Ministry of Energy, Georgian Energy Development Fund, The Partnership Fund, Georgian National Energy and Water Supply Regulatory Commission, USAID and the US Embassy. All have pledged support for the project, but that support has not been realized in any tangible form thus far.

Q. Why you?

A. My wife is half-Georgian; I have a personal connection thru the many relatives she has here. My observations of Georgia since I have been here paints a very unflattering picture... a picture of a country made up of great people, with good hearts, strong families and hope in the face of an uncertain future. I see hundreds of Georgians driving around, working as gypsy taxi drivers-some highly educated-fighting over each other to scratch together some small amount of money, in a day-to-day, stressful struggle just to put some food on the family table, with no certainty of what they will get tomorrow. They deserve a better life now and a better future for their children.

Q. Who do you want to response to your call?

A. We need IMMEDIATE financial investment, from the government, in the form of direct start-up funding or loan guarantees, as well as any private investor with the vision to help launch this venture toward the great success we envision for Georgia.

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The European Investment Bank to lend EUR 30m to TBC Bank

The FINANCIAL - The European Investment Bank (EIB) has agreed to lend EUR 30m to TBC Bank, the largest bank in Georgia, in order to broaden the access to finance of Georgian small and medium-sized enterprises (SMEs), which represent more than 90% of companies active in the country. The EIB funds will be provided in the framework of the European Union's EU4Business initiative, designed to support SMEs in the six Eastern Partnership countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine). Around 600 Georgian SMEs are expected to benefit from the loan.

Under a finance contract dated 15 October 2015, the EU bank made available to the Georgian Ministry of Regional Development a loan of up to EUR 100m, which will improve the wastewater collection and treatment in Kutaisi. The project is part of Georgia's Water Sector Rehabilitation Program which consists in a series of investments that aim at improving water supply in Kutaisi, Ureki, Poti and Zugdidi and wastewater collection and treatment in Kutaisi, Ureki and Poti (Kutaisi Waste Water project).

"Thanks to the EIB support, Georgian SMEs will improve their access to longer term finance, which is a prerequisite for their growth and competitiveness", EIB Vice-President Vazil Hudák commented.

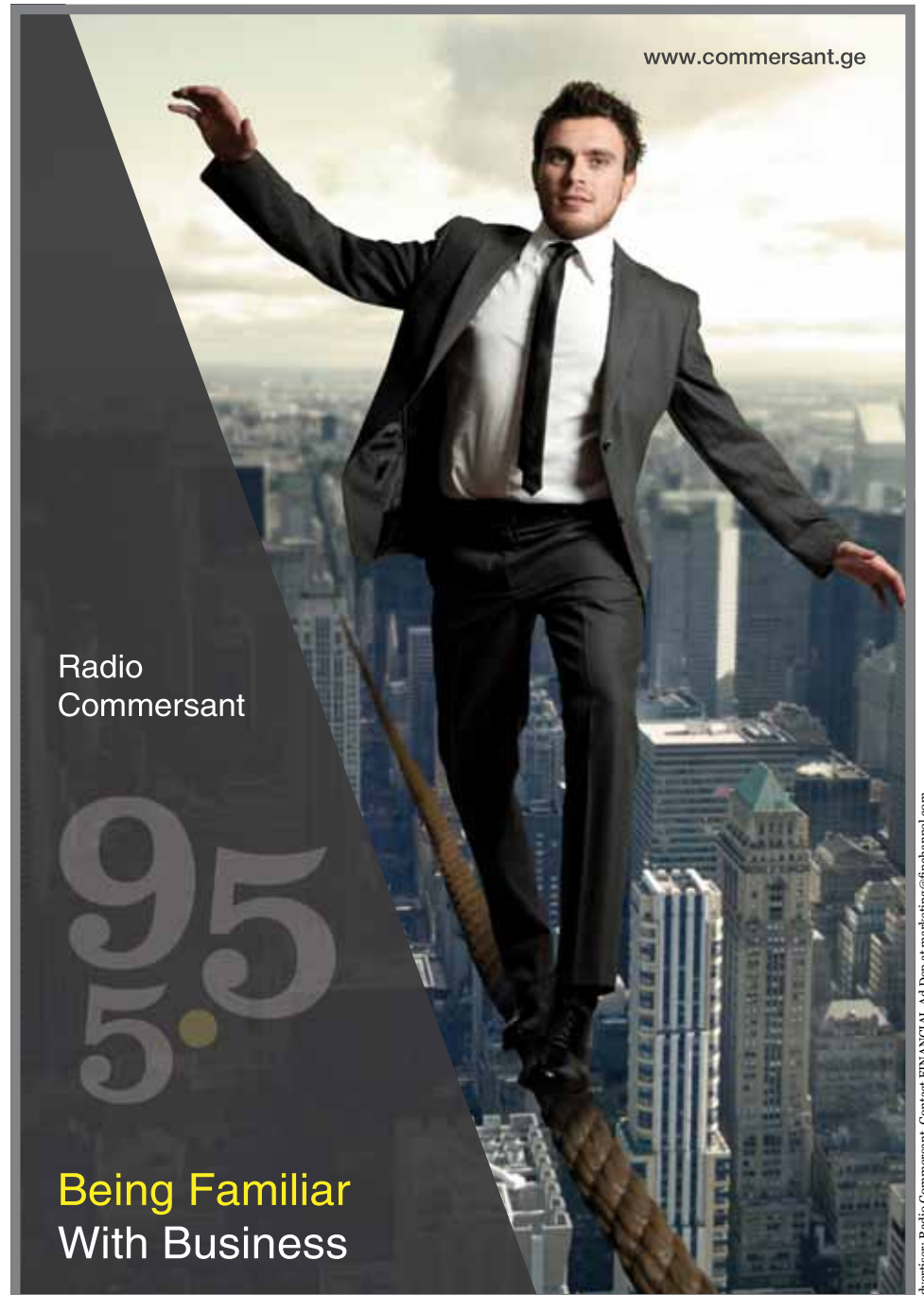
"Our fourth loan with TBC Bank is expected to support the development of approximately 600 small and medium size companies, by giving them better access to finance. We hope this will promote job creation and foster the general development of Georgia's economy". On the grant signature VP Hudák acknowledged the importance of the blending schemes by saying: "to implement the water sector projects in Georgia in more efficient way, we are combining our lending with EU grants. With today's signature, it is the region of Kutaisi which will benefit from a modern water network and increased quality of water systems, backed by European financing".

"Kutaisi is the country's second largest city and this project will enable us to provide better living conditions for the local population. We are currently completing the final phase of preparatory works for the project and

the actual construction will commence in 2019. This is the third project in the water sector that is being implemented with the support of our European partners and we hope that our fruitful cooperation will serve as a basis for financing other priority infrastructure projects in Georgia. The support provided by the EU and its Member States through different instruments available within the framework of the Eastern Partnership Trust Fund and Neighbourhood Investment Facility is hugely valued and makes an important contribution to the development of our country."

"This is already the fourth transaction we have successfully accomplished since the launch of our partnership in 2012, which is a testament to the truly efficient working relationship our respective organisations have formed," stated Vakhtang Butskhrikidze, CEO of TBC Bank.

This is the fourth EIB Group operation with TBC Bank and builds upon the fruitful cooperation of the EU bank with this Georgian institution. Since 2011, TBC Bank has on-lent EIB funds for SMEs totalling EUR 85m.



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NEW

financial news

In August 2018, the average cost of cooking one standard Imeretian khachapuri increased to 3.43 GEL, which is 3.8 % higher month-on-month (m/m, that is, compared to July 2018), but 0.5% lower year-on-year (y/y, compared to August 2017).

According to Khachapuri Index data, the price of wheat flour in different bazaars in Georgia has started to go up. The price of wheat rose by 1.6% in August month-on-month (compared to July 2018).

This increase follows a similar increase in the international market for this commodity. According to the [FAO Food Price Index](#), the price of wheat has gone up by 8% month-on-month. High global prices of wheat this year have been attributed to a low supply in the world market. This will eventually be reflected in domestic wheat prices in Georgia, where the self-sufficient ratio for wheat is 15% and the country heavily depends on wheat imports. Almost 100% of wheat imports come from Russia. It is expected that higher wheat prices in the world market will be transmitted to Georgia in the coming months,

ISSET ECONOMIC INDICATORS

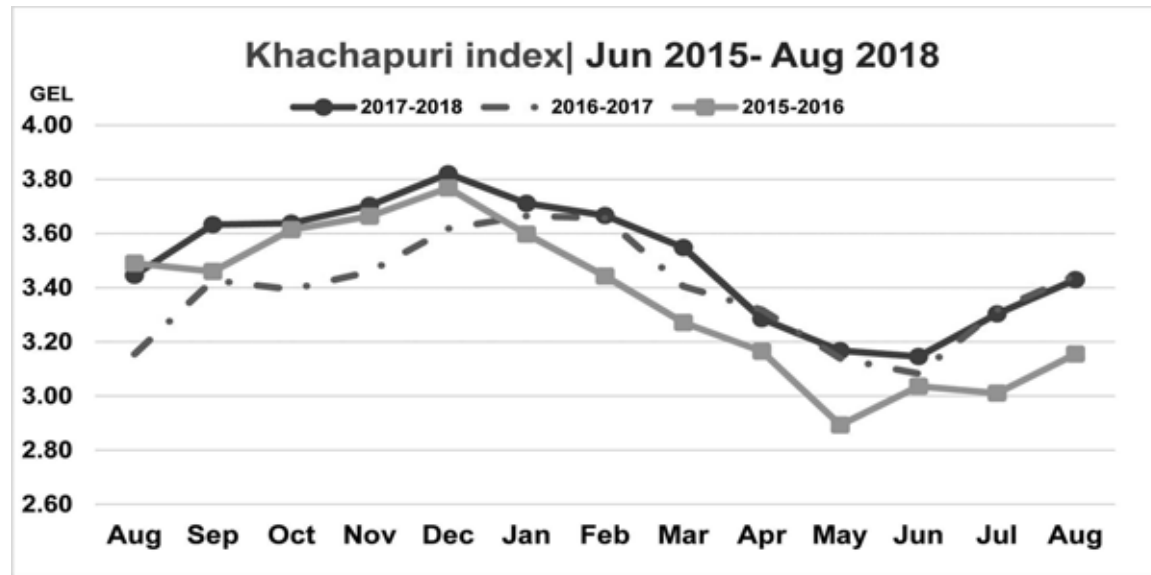
International School of Economics at TSU

KHACHAPURI INDEX

For more: WWW.ISET-PI.GE

leading to further increases in the price of wheat and wheat products. According to ISET's policy

WHEAT OR CHICKEN?



paper "Price Transmission on the Wheat Flour Market in Georgia," it takes around 6 months for international wheat prices to be transmitted fully into the domestic market.

Furthermore, wheat prices may be affected by an upcoming new regulation. Namely, importing wheat via roads will be banned. According to this new regulation, wheat can be transported to Georgia only by sea or train. While some stakeholders argue that this will increase efficiency in wheat transportation and will thus lower wheat prices, others warn that there will be an increased burden on currently-operating small wheat traders, and expect a slight increase in the price of wheat and wheat products. Moreover, representatives of not only wheat, but other potentially affected sectors (e.g., chicken, eggs), are protesting this regulation. Several agricultural producers are against this regulation, warning that this will lead not only to wheat price increases, but will raise the prices for many other related products. The Finance Minister announced that the decision to ban the import of wheat via roads has been postponed till October 1, 2019.

THE ISET ECONOMIST

A BLOG ABOUT ECONOMICS AND THE SOUTH CAUCASUS

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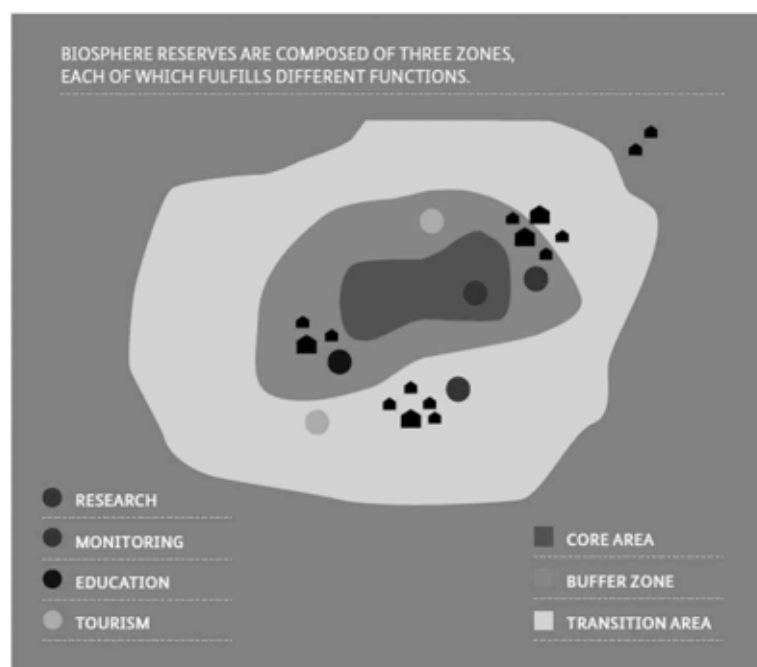
Biosphere Reserve – The Role Model of Regions for Sustainable Development

By **MAKA CHITANAVA**
ISET

"And what we're (at National Geographic) doing is a series of journeys to the ethnosphere where we're going to take our audience to places of such cultural wonder that they cannot help but come away dazzled by what they have seen, and hopefully, therefore, embrace gradually, one by one, the central revelation of anthropology: that this world deserves to exist in a diverse way, that we can find a way to live in a truly multicultural, pluralistic world where all of the wisdom of all peoples can contribute to our collective well-being."

Extract from the National Geographic Explorer Wade Davis TED 2003 talk "Dreams from endangered cultures"

While listening to Wade Davis, who has been often described as "a rare combination of scientist, scholar, poet and passionate defender of all of life's diversity," the subject of biosphere reserves came to my mind. This was partly because earlier this year I conducted a series of trainings on this issue with local municipality representatives in the Kakheti region, and partly because, as an economist, I see how valuable biosphere reserves can be to preserve cultural (and of course bio!) diversity. Thus, while listening to Wade Davis' passionate talk about different indigenous groups like those living in the Amazon or the Penan (nomadic people from Southeast Asia) and their lifestyles, in my mind I drew a parallel with the traditional Georgian ways of agriculture, endangered Kartvelian languages, and the problems of our remote mountainous areas. With this blog I want to highlight how the creation of biosphere reserves can contribute to the development of a multicultural and pluralistic world.



Biosphere Reserve structure. Source: GLZ. Biosphere Reserves – inspiring action for Agenda 2030. 2016.

What are biosphere reserves and why are they created?

Biosphere reserves are very interesting sites created under UNESCO's aegis. Their creation started back in the 1970's, and they serve as "Science for Sustainability support sites." UNESCO defines them as "a special place for testing interdisciplinary approaches to understanding and managing changes and interactions between social and ecological systems, including conflict prevention and management of biodiversity."

In short, a biosphere is an area where people try to harmoniously integrate with nature in order to achieve sustainable development. This is done through multilateral dialogues, knowledge sharing, improving the quality of life and by increasing people's ability to handle climate change. These are areas in which people try cooperating to preserve their uniqueness, culture, and nature, and to find new ways to ensure sustainable growth.

Biosphere reserves have very distinct features. They are created around a strictly protected area that contributes to the conservation of landscapes, ecosystems, species and genetic variation. Biosphere reserves have three zones: a) the core area, often a national park,

where human intervention is prohibited; b) the buffer zone, which surrounds the core and is usually altered or influenced by human use, but provides habitats for animal and plant species characteristic of the landscape; and c) the transition zone, where the greatest activity is allowed, fostering economic and human development that is socio-culturally and ecologically sustainable (you can find the main characteristics and functions of biosphere reserves on the UNESCO web-site). So what people are actually doing in a biosphere reserve is the following: they are preserving the nature around them, engaging in environmentally sustainable businesses, increasing the awareness of the local community about environmental issues, doing research, and showing other parts of the world how societies can develop in harmony with their surroundings and how to profit from such a development.

Successful biosphere reserves and their relevance for Georgia

Currently there are 686 biosphere reserves in 122 countries, including 20 transboundary sites, with highly varying degrees of success. There are many interesting examples relevant for Georgia, like the Rhön biosphere reserve in Germany. The Rhön biosphere reserve is a perfect showcase of how a society can convert a traditionally managed cultural landscape into an asset for tourism and agro-biodiversity, shape the identity of a rural region, and create a widely known and appreciated local brand. The Rhön biosphere reserve, which was created in 1991, has managed to promote bio-quality products and make traditional local production profitable. Several interesting projects have been implemented in Rhön. For

example, the Rhön sheep, which was almost extinct in the 1970's, has been preserved and marketed as a "bio-quality" product (it was chosen as a local mascot for the biosphere reserve). The reserve specializes in the production of top-quality apple juices, cider, sparkling apple wine and apple beer from the local apple - Rhön's eye. Rhön has also managed to protect European crayfish from crayfish plague as part of a species protection scheme project. The biosphere reserve management, in close cooperation with the private sector, created top-quality gastronomy with the Rhön Umbrella Brand, which is widely known and recognizable, and includes not only exported gastronomy products, but is also used in local restaurants and bars. Most importantly, the local population has embraced the idea of living in a biosphere reserve, mainly thanks to the successful marketing of regional products and the resultant safeguarding of local farms.

Biosphere Entlebuch in Switzerland is another extraordinary case. This biosphere reserve is home not only to nationally protected moors and significant varieties of flora and fauna, but also enjoys a very rich historical and cultural heritage. Together with the implementation of several nature protection projects, Entlebuch provides educational opportunities for guests and local inhabitants. For example, children and young people can spend a week working on a project at the Biosphere School where they attend lessons about farming and enjoy trips around the region. In addition, the regional biosphere topic is integrated into the local school curricula and kids are exposed to local environmental issues from childhood. Biosphere Entlebuch has started to label regional products - like Rhön - and this strategy has been profitable for the region. A 2017 study showed that product labeling can act as an important economic multiplier of biosphere reserve management

Continued on p. 14



BETTER LIVING

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financial news

The fastest-growing travel destination in Europe is a tiny country



The FINANCIAL

San Marino is a tiny, 24-square-mile country nestled in northern Italy. With a 31.1% year-on-year growth in tourism in 2017, it's the top-growing travel destination in Europe. Other countries that made the list of fastest-growing European travel destinations include Georgia, Azerbaijan, and Bosnia and Herzegovina.

If you haven't heard of San Marino, you're probably not alone.

At 23.6 square miles, it's one of the world's smallest countries. It has no coastline and boasts a population of 33,400. It lists postage stamps and coins amongst its important sources of revenue.

It's also, however, the top-growing travel destination in Europe.

San Marino's boundaries are en-

tirely within Italy.

New data from the UN World Tourism Organization indicates that tourism in 2017 in San Marino grew by 31.1% year-over-year. That's compared to an 11.2% growth in Italy, which surrounds the country of San Marino.

Also topping the list are the perhaps similarly unexpected destinations of Georgia in second place (27.9% growth), Macedonia in sixth (23.5% growth), Azerbaijan in seventh (20% growth), and Bosnia and Herzegovina in ninth (18.66% growth).

As Bloomberg reported, San Marino recorded 78,000 tourism arrivals in 2017 — more than two tourists per resident. That number pales in comparison to the whopping 86.9 million international tourists who visit France each year. While tourism hubs like France and Spain are more outright popular with tourists,

as already-popular tourist destinations, those countries simply stand to exhibit lower year-over-year growth.

Lonely Planet bills the microcountry as a "land of clifftop castles." The historic center of the city and Mt. Titano are on the UNESCO Heritage List, and the latter awards panoramic views of the surrounding mountains. One of the iconic landmarks in the country is Guaita, the First Tower of San Marino, which dates back to the 11th century and served as a prison that closed in 1970.

As Business Insider previously reported, San Marino ranks amongst the richest countries in the world. In 2017, the tiny country reported a GDP per capita of \$61,169. For comparison, that puts it just behind the USA, which has a GDP per capita of \$62,152.

Insider, Bloomberg

World Bank Group Commits \$1 Billion for Battery Storage to Ramp Up Renewable Energy Globally

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The \$1 billion in World Bank Group financing is expected to mobilize another \$4 billion in concessional climate financing and public and private investments. The program aims to finance 17.5 gigawatt hours (GWh) of battery storage by 2025 — more than triple the 4-5 GWh currently installed in all developing countries.

"For developing countries, this can be a game changer," said World Bank Group President Jim Yong Kim. "Battery storage can help countries leapfrog to the next generation of power generation technology,

expand energy access, and set the stage for much cleaner, more stable, energy systems."

Currently, batteries used in energy generation systems are expensive, and most projects are concentrated in developed countries. The "Accelerating Battery Storage for Development" program, in response to demand from countries, will finance and de-risk investments such as utility-scale solar parks with battery storage, off-grid systems — including mini-grids — and stand-alone batteries that can help stabilize and strengthen grids.

The program will also support large-scale demonstration projects for new storage technologies suitable for developing countries' needs — such as batteries that are long-lasting, resilient to harsh conditions and high temperatures, and that present minimal environmental risks.

"Batteries are critical to decarbonizing the world's power systems. They allow us to store wind and solar energy and deploy it when it's needed most to provide people with clean, affordable, round-the-clock

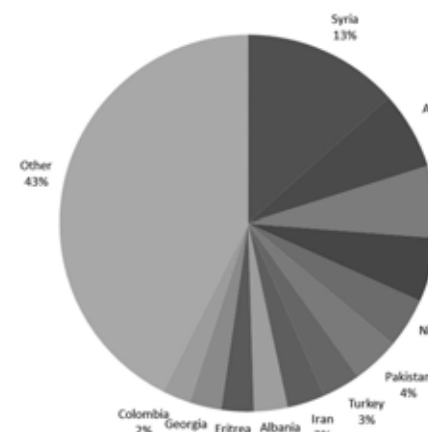
power." Dr. Kim said. "We call on our partners to join us and match the investments we're making today. We can create new markets for battery storage in countries with high wind and solar potential, growing energy demand, and populations that still live without reliable electricity."

The World Bank Group is putting \$1 billion of its own funds towards this new program and will fundraise another \$1 billion in concessional climate funds through channels such as the Climate Investment Funds' Clean Technology Fund (CTF). The program is expected to raise an additional \$3 billion from public and private funds and investors.

The new program will also convene a global think tank on battery storage, bringing together national laboratories, research institutions, development agencies and philanthropies to foster international technological cooperation and training that can develop and adapt new storage solutions tailored for the needs and conditions of developing countries.

Most applications for asylum in Germany, France and Greece

Citizenship of first-time asylum applicants in the EU Member States, second quarter 2018



ec.europa.eu/eurostat

The FINANCIAL

During the second quarter of 2018, 136 700 first-time asylum seekers applied for international protection in the Member States of the European Union (EU). 3% of from total applicants where Georgian citizens. This was an increase of 4% compared with the first quarter of 2018, when 131 400 first-time applicants were registered.

Most applications from Syrians, Afghans, Iraqis and Venezuelans

With 18 300 first-time applicants between April and June 2018, Syrians remained the largest group of persons seeking international protection in the EU Member States. Syrians were ahead of Afghans (9 200 first-time applicants), Iraqis (8 400) and Venezuelans (7 600). In the second quarter of 2018, people from these countries comprised the four main citizenships of first-time asylum applicants in the EU Member States, accounting for almost one third of all first-time applicants.

Most applications for asylum in Germany, France and Greece

During the second quarter of 2018, the highest number of first-time applicants was registered in Germany (with 33 700 first-time applicants, or 25 % of total first-time applicants in the EU Member States) and France (26 100, or 19 %), followed by Greece (16 300, or 12 %) and Spain (16 200, or 12%).

Among Member States with more than 2 000 first-time asylum seekers in the second quarter of 2018, numbers of first-time applicants decreased most compared with the previous quarter in Italy and Austria (both -23 %) and in Belgium and

Sweden (both -10 %). In contrast, the largest increase was recorded in Spain (+85 %) and in Greece (+26 %).

Highest number of first-time applicants relative to the population in Cyprus

Compared with the population of each Member State, the highest rate of registered first-time applicants during the second quarter of 2018 was recorded in Cyprus (1 656 first-time applicants per million population), followed by Greece (1 521), Malta (889) and Luxembourg (703). In contrast, the lowest rates were observed in Slovakia (8 applicants per million population), Estonia (11), Hungary (15) and Latvia (16). In the second quarter of 2018, there were in total 267 first-time asylum applicants per million population in the EU as a whole.

Nearly a million asylum applications still pending

Pending applications for international protection are those that have been made at any time and are still under consideration by the relevant national authorities at the end of the reference period. In other words, they refer to the "stock" of applications for which decisions are still pending.

At the end of June 2018, 885 500 applications for asylum protection in the EU Member States were under consideration by the national authorities, a decrease of 8 % compared with June 2017 and less than 1 % below the figure for March 2018. With 410 600 pending applications at the end of June 2018, or almost half of the EU total (46 %), Germany had the largest share in the EU, ahead of Italy (131 900, or 15 % of the EU total) and Greece (60 500, or 7%).



Paris, 1929

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Bidzina Ivanishvili::



“The Bank of Georgia and TBC Bank are number one in the world in terms of profitability.”

Table 1: Georgian Commercial Bank Profitability Figures

Bank	ROE				ROA			
	IV 2017	III 2017	II 2017	I 2017	IV 2017	III 2017	II 2017	I 2017
TBC Bank	20.10%	19.60%	20.66%	18.51%	2.77%	2.81%	3.13%	2.96%
Bank of Georgia	31.83%	33.79%	38.04%	44.41%	3.53%	3.76%	4.16%	4.75%
Liberty Bank	25.76%	23.20%	20.56%	20.33%	3.09%	2.76%	2.45%	2.36%
BasisBank	11.04%	13.06%	16.45%	18.74%	1.91%	2.37%	3.14%	3.51%
VTB Bank	12.6%	13.3%	20.4%	26.7%	1.4%	1.4%	2.2%	2.7%
Cartu Bank	18.27%	7.92%	10.78%	11.20%	3.20%	1.37%	1.81%	1.77%
ProCredit Bank	11.38%	10.36%	7.29%	7.46%	1.55%	1.43%	1.01%	1.01%
Silk Road Bank	-1.80%	-1.63%	1.92%	0.22%	-0.87%	-0.76%	0.83%	0.09%
Ziraat Bank	3.72%	4.94%	3.37%	9.05%	1.13%	1.48%	1.04%	2.96%
IsBank	9.74%	11.18%	-5.49%	-3.88%	1.10%	1.21%	-0.56%	-0.40%
Tera Bank	15.26%	13.60%	15.37%	21.24%	2.26%	2.04%	2.31%	3.19%
Halyk Bank	20.46%	21.95%	26.33%	29.01%	3.15%	3.44%	4.06%	4.19%
Pasha Bank	3.86%	5.32%	4.77%	5.58%	1.57%	2.19%	1.91%	2.11%
Finka Bank	6.22%	5.17%	0.63%	3.33%	0.75%	0.62%	0.08%	0.41%
Credo Bank	13.05%	11.80%	9.70%	5.77%	2.41%	2.21%	1.90%	1.14%

Source: Commercial Banks²

Valeri KVARATSKHELIA
FactChek

VERDICT:
FactCheck leaves Bidzina Ivanishvili’s statement WITHOUT A VERDICT.

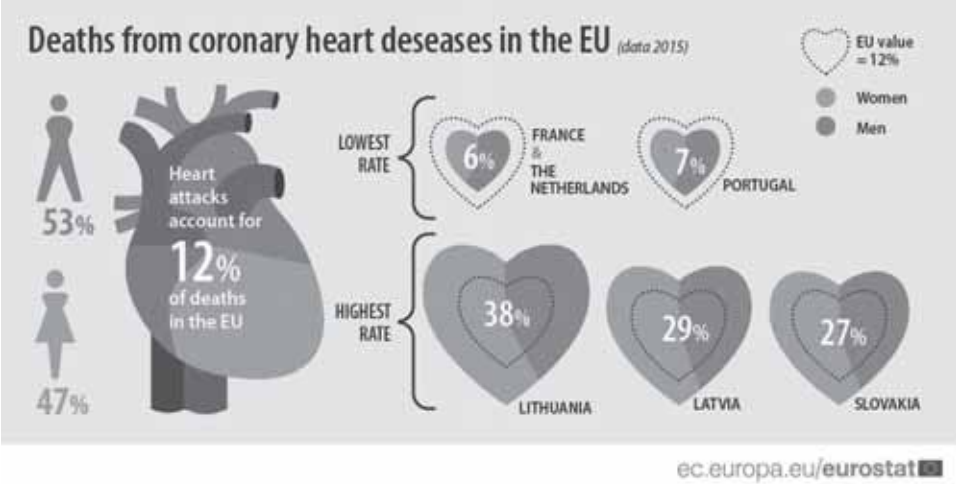
RESUME:
Profitability is the main aim of any commercial entity. The higher the margin of profit is, the more successful the business is. This said, however, arguing about “acceptable” and “unacceptable” levels of an entity’s profitability in a market economy is meaningless. Bidzina Ivanishvili’s basis for making his assertion that certain commercial banks are number one in the world is unknown because there are thousands of banks in the world and getting complete information about their financial performance is practically impossible. In Georgia, the Bank of Georgia occupies the first position in terms of profitability.¹ Apart from the Bank of Georgia, TBC Bank is outperformed by Halyk Bank Georgia and Liberty Bank in terms of return on equity (ROE) whilst Halyk Bank Georgia has better results as compared to TBC Bank in terms of return of assets (ROA) too. As FactCheck is unable to fully verify the statement, we leave Bidzina Ivanishvili’s statement WITHOUT A VERDICT.

ANALYSIS
Chairman of the Georgian Dream - Democratic Georgia party, Bidzina Ivanishvili, stated that two banks, TBC Bank and the Bank of Georgia, “have devoured the country and are number one in the world in terms of profitability.” Profitability is the main aim of any commercial organisation. Other things being equal, every business is created and run to earn profit. Therefore, the higher the margin of profit is, the more successful the organisation is. It is perplexing to argue about “acceptable” and “unacceptable” levels of an organisation’s profitability in a market economy. To be fair, Bidzina Ivanishvili himself emphasised that a high margin of profitability is something of which to “be proud.” However, against this backdrop Mr Ivanishvili mentioned specific organisations in a negative context exactly because they have high margins of profit. Speaking of profitability, it is necessary to clarify that the profit or income of any organisation in absolute numbers does not really say anything. For instance, profit in the amount of GEL 1,000 is a very good figure if a person invested GEL 2,000 to get this profit. Although, that would be completely unacceptable if GEL 100,000 were invested. Profitability is always analysed as opposed to the resource which made that profit possible. A commonly used measure of profitability is the return on equity (ROE) and the return of assets (ROA) of an organisation. There are perhaps different approaches for calculating these figures. This article uses profitability figures from the commercial banks’ published data in compliance with the Rules for Disclosure of Information by Commercial Banks within the Framework of Pillar III. As illustrated by the table, the Bank of Georgia is indeed number one in Georgia in terms of profitability according to the data for 2017. At the same, TBC Bank is outperformed (in addition to the Bank of Georgia) by Halyk Bank Georgia and Liberty Bank in terms of return on equity (ROE) whilst Halyk Bank Georgia has better results in terms of return of assets (ROA) too. In regard to being number one in the world, it is practically impossible to verify this particular part of Bidzina Ivanishvili’s statement as there are thousands of commercial banks in the world and their financial performance is not available in full. Mr Ivanishvili’s basis for making his assertion is unknown.

1. In accordance with the published data of commercial banks published in compliance with the Rules for Disclosure of Information by Commercial Banks within the Framework of Pillar III.
2. Quarterly report of Pillar III.

healthcare

1 in 8 deaths in EU are due to heart attacks



The FINANCIAL
On the occasion of World Heart Day, Eurostat data highlight the extent to which heart attacks are the cause of death in the European Union (EU). In 2015, in the EU as a whole, heart attacks were reported as the cause of death in 12 % of all deaths. The Member States with the lowest share of deaths caused by heart attacks in 2015 were France and the Netherlands (both 6 %), followed by Portugal (7 %). In these three countries, more men than women died of heart attacks. In contrast, the Member States with the highest share of deaths caused by heart attacks were Lithuania (38 %), Latvia (29 %) and Slovakia (27 %). In these three countries, more women died of heart attacks than men. The latest estimated information for the EU-28 relating to causes of death is available for the 2015 reference period. Table 1 shows that diseases of the circulatory system and cancer (malignant neoplasms) were, by far, the leading causes of death in the EU. Between 2005 and 2015, there was an 11.5 % reduction in EU-28 standardised death

rates relating to cancer for men and a 6.1 % reduction for women. Larger declines were recorded in relation to deaths from ischaemic heart disease, where death rates fell by 30.3 % for men and 34.3 % for women, while even greater reductions were recorded for deaths from transport accidents where rates fell by 43.3 % for men and 44.3 % for women. The standardised death rate for breast cancer fell by 10.1 % for women, which was in excess of the overall change for all cancers. By contrast, death rates for diseases of the nervous system increased for men by 25.9 % and for women by 31.9 %. Although the standardised death rate for lung cancer (including also cancer of the trachea and bronchus) increased for men and for women, the rate of change differed greatly: for men the rate increased by 3.9 % (with a downward trend since 2009) while for women it increased by as much as 56.0 %.

Causes of death in 2015 of people below 65 years of age
For people below 65 years of age the leading causes of mortality were somewhat different in terms of their relative importance. Cancer was the most prominent cause of death within this age group – averaging a standardised rate of 78 deaths per 100 000 inhabitants in the EU-28 in 2015 – followed by diseases of the circulatory system (46 deaths per 100 000 inhabitants). Contrary to the data for the whole of the population, diseases of the respiratory system did not among the three most prevalent causes of mortality for those aged less than 65: the standardised rate for diseases of the respiratory system was lower than the death rate for diseases of the digestive system and was only slightly higher than the death rate for suicide.

Causes of death in 2015 by sex

Standardised death rates were higher for men than for women for nearly all of the main causes of death. Except for breast cancer, EU-28 standardised death rates were higher for men than for women

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Children whose mothers use marijuana may try it at a younger age



The FINANCIAL -- Children whose mothers use marijuana are more likely to start their own marijuana use an average of two years earlier than children whose mothers don't use the drug, according to a new study from Harvard T.H. Chan School of Public Health.

Prohibiting marijuana isn't necessarily consistent with public health goals, according to the study authors. For example, marijuana has recognized therapeutic benefits for a number of health conditions, and may serve as a safer alternative to opioids. In addition, more than half of all drug arrests in the U.S. are marijuana-related and are a major driver of racial disparities in arrest and incarceration.

But in children who begin use at a young age, marijuana has been linked with

negative consequences such as impairments in concentration and decision-making, increased impulsivity, and reductions in IQ. The younger a child is when he or she begins using marijuana, the more severe the effects, studies have suggested. Therefore, delaying marijuana initiation may be an important public health goal, the authors said.

Using data from the National Longitudinal Survey of Youth 1979 and Child and Young Adults, the new study assessed the timing and extent of marijuana use and initiation among 4,440 children and 2,586 mothers. Researchers tested for the effect of a mother's marijuana use between a child's birth and age 12 on that child's subsequent risk of marijuana initiation, controlling for factors related to the child's early life be-

havior and cognition and on the family's socioeconomic position and social environment.

The study found that 2,983 children (67.2%) and 1,053 mothers (35.3%) self-identified as marijuana users. Children whose mothers used marijuana were at increased risk for starting marijuana use prior to age 17, and they began using at a median age of 16, compared with age 18 for children whose mothers didn't use the drug. The association was slightly stronger among non-Hispanic non-black children.

One limitation of the study was that it did not measure whether children were aware of their mothers' marijuana use. The study also lacked data on the frequency and severity of mothers' marijuana use.

65% know at least one foreign language in the EU



The FINANCIAL -- On the occasion of the European Day of Languages, figures on self-reported language skills show that in 2016, 65 % of working-age adults in the European Union (EU) knew at least one foreign language.

In some Member States, knowledge of foreign languages was particularly high. For example, more than 90 %

of respondents knew at least one foreign language in these countries: Sweden (97 %), Latvia, Denmark and Lithuania (all 96%), Luxembourg (95 %), Finland and Malta (both 92 %) and Estonia (91 %).

High levels of multilingualism were present in Luxembourg, where more than half of the working-age adults reported speaking at least three for-

eign languages. Knowledge of at least three foreign languages was also high in Finland (45 %) and Slovenia (38 %).

In contrast, there were four Member States where half or less than half of the working-age population knew a foreign language: the United Kingdom (35 %), Romania (36 %), Hungary (42 %) and Bulgaria (50 %)



Roman Gotsiridze:
MP



“Georgia’s export was USD 2 billion in 2017. Officially, Georgia’s export amounts to USD 2.7 billion but USD 0.7 billion is re-export because we import and export oil as well as we import and export cars.”

Vakhtang DEMURIA
FactCheck

VERDICT:

FactCheck concludes that Roman Gotsiridze’s statement is TRUE.

RESUME:

Historically, import to Georgia has always significantly exceeded export. The trade balance (the difference between volumes of export and import) to GDP ratio was 25.3% in 2017 which is 1.6 percentage points less as compared to the same figure of the previous year. In 2014-2015 these figures were 25.6% and 30.8%, respectively.

Re-export constitutes a substantial part (24.3% in 2017) of Georgia’s export. The growth of re-export is a positive trend itself. However, a large share of re-export in the total export is undesirable because a country profits much less from re-export as compared to export. Therefore, whilst analysing export statistics, it is relevant to pay attention to this particular aspect.

In 2017, Georgia’s total export was USD 2.735 billion. Of this amount, USD 665 million is re-export. These figures slightly mismatch the numbers named in the MP’s statement.

ANALYSIS

On 19 September 2018, on the Pirispir talk show, United National Movement member, Roman Gotsiridze, stated: “Georgia’s export, in fact, was USD 2 billion in 2017. Officially, Georgia’s export amounts to USD 2.7 billion but USD 0.7 billion is a re-export because we import and export oil as well as

we import and export cars.”

Of necessary initial note is that import has historically always significantly exceeded export in Georgia. The trade balance (export minus import) to GDP ratio was 25.3% in 2017 which is 1.6 percentage points less as compared to the same figure of the previous year. In 2014-2015 these figures were 25.6% and 30.8%, respectively. The absolute figures of foreign trade are given in Graph 1.

In regard to 2017 export statistics per se, Roman Gotsiridze’s figures mostly match the National Statistics Office’s data. The registered export of goods was USD 2.735 billion in this period. USD 665 million (24.3%) of this amount constituted re-export.

The definition of re-export is an export of goods which were produced outside of a country’s customs territory; that is, they were imported in the first place. In the case of re-export, Georgia acts as a kind of trade intermediary because re-exported goods are not produced in Georgia. The re-export of cars is a well-known and relevant example for illustration. In terms of export volumes, cars are the number-two export item with a value of USD 243 million (11.3% of the total export). Georgia does not produce small cars so this figure, for example, can be categorised as a re-export case.

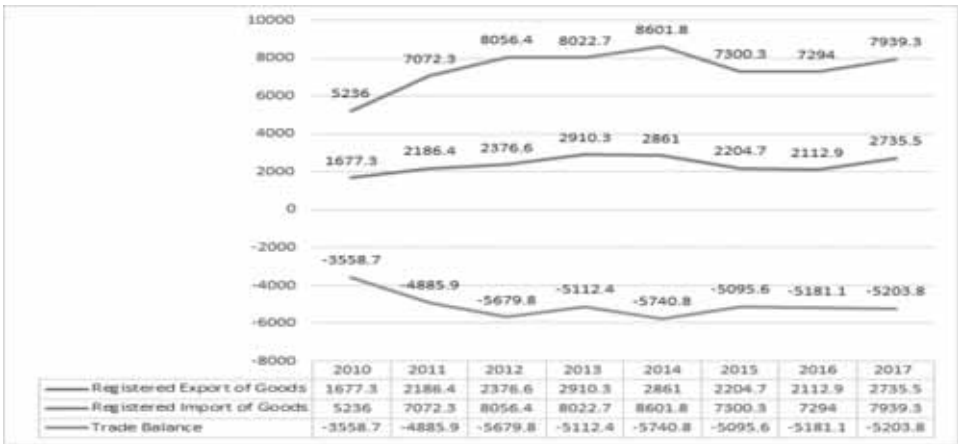
To further clarify the difference between export and re-export profits, we will discuss their impact upon the GDP. The GDP structure is shown in its calculation formulae: $GDP = C + G + I + NX$. In this equation, C is consumption, G is state purchases, I is investments and NX is net export (export minus import). All things being equal, the growth of export causes the growth of the GDP. The impact of the

production of export goods is reflected in other aspects such as increased employment and generated incomes. Re-export is a combination of import and export; therefore, it causes a decrease in net export and GDP in the import phase whilst it increases net export and the GDP in the export phase of imported goods. Usually, this entails a net positive effect – the export value of re-exported goods exceeds their import value. It is precisely the difference between the export and import values of re-export which constitutes a country’s profit.

Re-export does not have a large impact upon jobs and the growth of production which needs to be taken into account whilst discussing exports. Let us assume that Germany produces a car valued at EUR 50,000. The production of cars needs labour and capital whilst this process creates jobs and stimulates the economy. After exporting the car, Germany’s GDP will increase by EUR 50,000. Let us again assume that a Georgian resident purchased this car, imported it to Georgia and then sold it in Azerbaijan for EUR 55,000. The effect of this transaction is statistically reflected in the growth of Georgia’s export by EUR 55,000. However, the net profit for Georgia from this transaction, which is growth of net export, is only EUR 50,000.

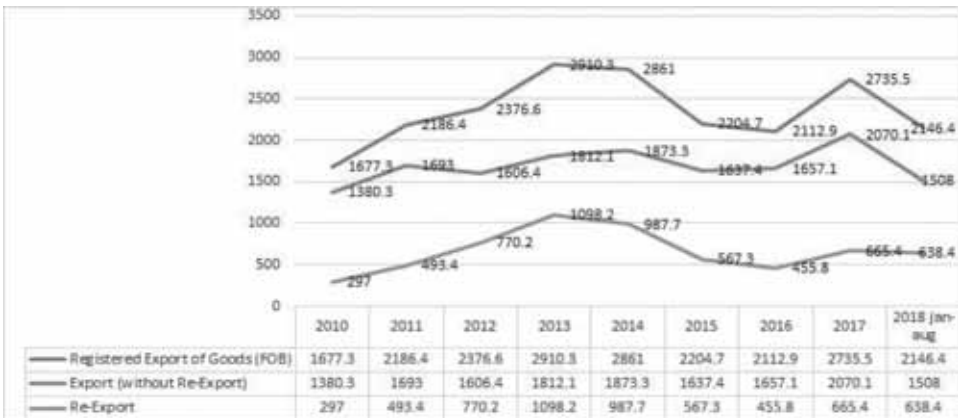
Of note is that re-export is not a negative thing itself and the growth of re-export is considered as a positive change. However, it is natural that the total profit from re-export for a country is naturally less as compared to export. Therefore, the growth of re-export in itself is welcoming although undesirable when its size is large in the structure of export.

Graph 1: Georgia’s Export and Import and Trade Balance (USD Million)



Source: National Statistics Office of Georgia

Graph 2: Export and Re-Export in 2010-2018 (USD Million)



Source: National Statistics Office of Georgia



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ADB Raises 2018 Growth Forecast for Georgia to 4.9%



The FINANCIAL --The Asian Development Bank (ADB) raised Georgia's 2018 growth forecast to 4.9% from the April estimate of 4.5% reflecting strong growth in tourism and robust investment after an increase in business and investor confidence.

The growth forecast for 2019 is 5.0%, says the update of ADB's flagship annual economic publication, Asian Development Outlook (ADO) 2018.

ADB's latest projections follow the 5.0% gross domestic product (GDP) growth in 2017 and an estimated 5.7% in the first half of 2018. Small firms, in particular, benefitted from a new concessional tax regime featuring lower rates, easier compliance, and automatic refunds for excess payment of value-added tax, as well as a tax liability write-off for defunct firms. On the demand side, higher capital investment fueled growth, as did private consumption that benefitted from an 18.3% rise in remittances in the first half of 2018 over a year earlier.

Inflation slowed from 6.0% in

2017 to 2.8% year on year in July 2018, which was also the average annual rate in the year to date. Core inflation fell below 2.0%. The slowdown reflected inflation easing for food, tobacco, and alcoholic beverages, along with price declines for clothing and footwear and communication services. Further, credit growth moderated to 4.2% in the first half of 2018, prompting the National Bank of Georgia—the central bank—to cut its policy rate to 7.0% in July. The report trims the inflation forecast for 2018 to 3.0% to match the forecast for 2019, which is unchanged.

The current account deficit widened to equal 11.6% of GDP in the first quarter of 2018 as growth in exports trailed that of imports in absolute terms. Exports of goods and services expanded by 23.4% in the quarter, thanks to strengthening external demand and government support for the export sector. In the first half, exports of goods rose by 28.5%. Meanwhile, rising domestic demand, strong growth, and im-

proved business and consumer confidence boosted imports by 22.9% in the first half, notably for consumer and investment goods. With higher-than-expected oil prices and robust public investment, earlier projections for the current account deficit are maintained.

ADB has supported Georgia since 2007 and is one of the country's largest multilateral development partners. Sovereign and nonsovereign loans to Georgia total \$2.72 billion. ADB's key development priorities in Georgia are to foster inclusive and sustainable economic growth, reduce poverty, enhance regional connectivity, and improve public service delivery.

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 67 members—48 from the region. In 2017, ADB operations totaled \$32.2 billion, including \$11.9 billion in co-financing.



Combating Climate Change Can Produce Economic Gain

Countries That Take Ambitious Action Against Climate Change Can Close up to 90% of Their Gap to Paris Targets Using Existing Technologies; Mitigation Actions Can Also Boost Economic Growth, says a new BCG Report

The FINANCIAL

Countries that take ambitious action against climate change can benefit macroeconomically—if they prioritize the most economically efficient measures for mitigating emissions.

The Economic Case for Combating Climate Change, a report released last week by The Boston Consulting Group (BCG), shows that most countries can achieve 75% to 90% of their individual 2050 2°C Paris Agreement targets using proven and generally accepted technologies. If they prioritize the most efficient emissions reduction measures, mitigation activities actually accelerate, rather than slow, GDP growth for many of them—even if countries move unilaterally.

"Consensus thinking holds that the world will have a hard time reaching the headline goal of the Paris Agreement," says Philipp Gerbert, a BCG senior partner and report coauthor. "While that may be true, substantial progress is within most countries' reach. If managed appropriately, even unilateral emis-

sion reduction efforts do not need to trigger first-mover disadvantages."

BCG examined climate change mitigation strategies in seven countries that collectively account for close to 60% of current global greenhouse gas (GHG) emissions: the US, China, India, Brazil, Russia, Germany, and South Africa. The work is modeled on previous BCG research commissioned by the German Industry Association, Climate Paths for Germany, one of the most comprehensive studies of national emissions reduction potentials to date. In an unprecedented position paper, German industry united behind the core findings of the study and called for more systematic and economically guided climate action by the German government.

Under current policies, all of the seven countries studied will fail to meet their individual 2°C Paris targets. BCG estimates that for all countries globally to move to a 2°C path would require total investment of up to \$75 trillion until 2050. But almost half of this is accrued in the "last mile" between what can be done under current technologies and the full 2°C target, and much of it creates payback through efficiency gains or savings in fossil fuels. For many countries, a significant share of investments before this "last mile" can thus create macroeconomic gain.

Many companies have started to focus on a low-emission world, and industry will contribute more going forward. In power generation, for example, companies are driving down the costs of renewables, with China a hot spot for solar and Germany a leader in wind. In transportation, a particularly important factor in the US, R&D investments in e-cars and batteries have surged. Investments in energy efficiency, a key lever in less developed economies, continue to be strong. Newer ways to isolate buildings and provide low-emission heating and cooling are being developed all over the world.

"Companies need to make the global action against climate change a key element of their long-term strategy," said Jens Burchardt, a BCG principal and report coauthor. "They should also enter into active dialogue with their respective governments to encourage systemically optimized action. The transition will likely be faster than expected. Early movers stand to benefit; others will miss opportunities or risk stranded assets."

IFC Joins Forces with the National Bank of Georgia to Boost Governance and Sustainable Finance

The FINANCIAL -- IFC, a member of the World Bank Group, has signed a cooperation agreement with the National Bank of Georgia to enhance environmental, social, and corporate governance standards in the private sector and help commercial banks and companies improve performance, enhance competitiveness, and attract investment.

IFC will provide advice on developing corporate governance codes for public companies and commercial banks, with special emphasis on the governance of environmental and social issues. The IFC-supported Sustainable Banking Network (SBN) will also work with the National Bank on designing a sustainable finance roadmap, developing a regulatory framework, and providing technical guidance, as well as helping financial institutions develop and issue green and climate finance products such as green bonds.

To kick off the cooperation and share global and regional experiences, IFC, SBN, and the National Bank hosted Tbilisi's first sustain-

able finance workshop today, which was attended by over 50 participants from Georgia's financial sector, the SBN, and central banks from the region.

"Sustainability is critical to business success", Jan van Bilsen, IFC Regional Manager for the South Caucasus, said. "Today in Tbilisi, we mark the launch of sustainable finance reforms that can make Georgia's financial system and companies greener and better governed. This offers many advantages to financial institutions and companies, including reducing lending risks, targeting green investment opportunities, and increasing their appeal for investors."

The National Bank joined the SBN in late 2017 and is an active member of its Green Bond Working Group. Members from 35 countries, representing about \$43 trillion in banking assets in emerging markets, are united by the aim to make their national financial systems sustainable. To date, 17 SBN countries have released finance policies and principles that

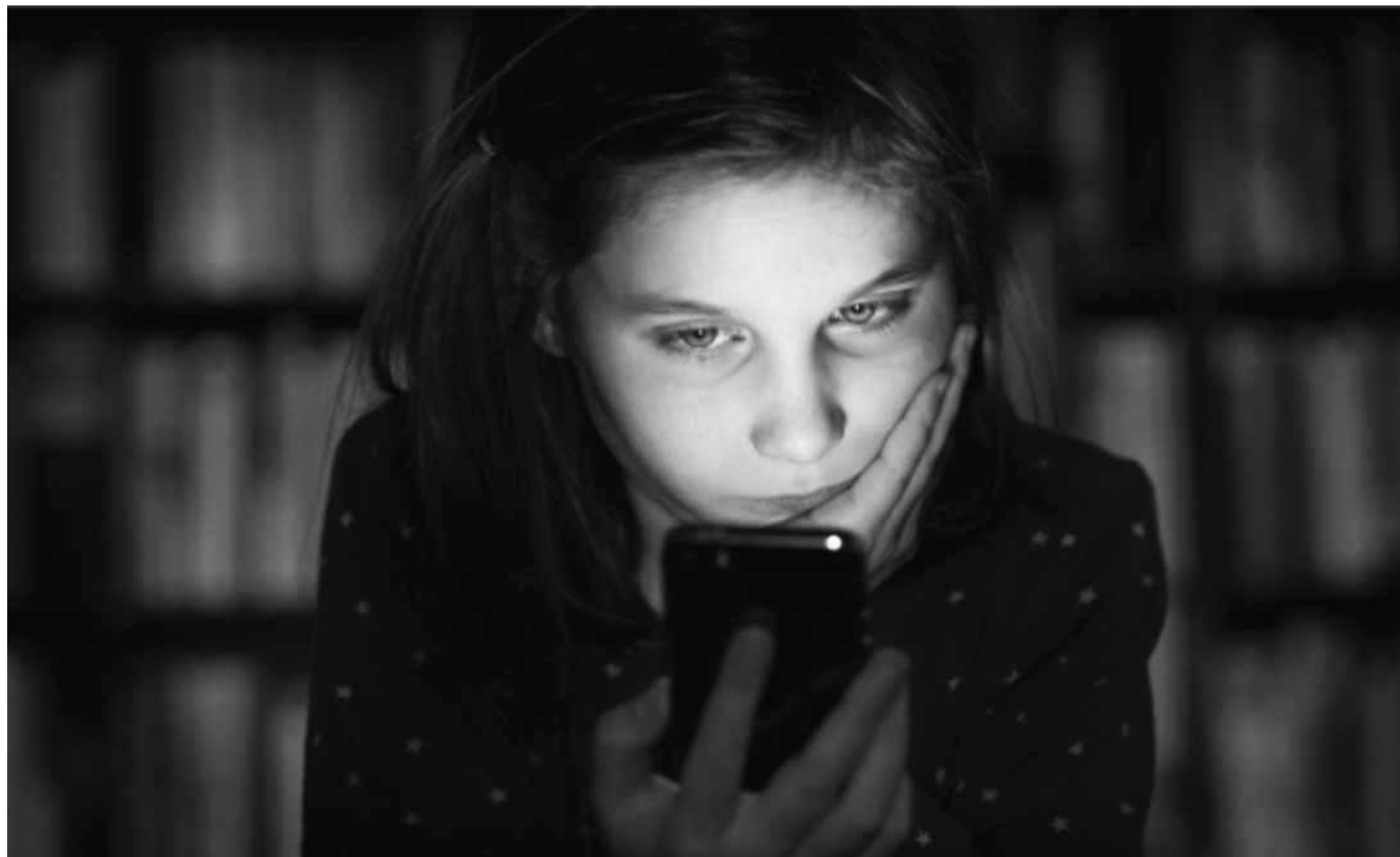
integrate environmental, social, and corporate governance into investment projects and increase capital flows to green projects and assets.

IFC has significant experience in the area, having helped more than 50 countries around the world develop corporate governance codes. IFC's environmental, social, and corporate governance policies are widely adopted as market standards and embedded in operational policies by corporations, investors, financial intermediaries, stock exchanges, regulators, and countries.

Georgia became an IFC member and shareholder in 1995. Since then, IFC has provided around \$1.88 billion in long-term financing, of which nearly \$980 million was mobilized from partners, in 60 projects in financial services, agribusiness, manufacturing, and infrastructure. In addition, IFC has supported more than \$394 million in trade through its trade finance program, and implemented a number of advisory projects focused on developing the private sector.

online community

Most of Teens Have Experienced Some Form of Cyberbullying



The FINANCIAL -- Name-calling and rumor-spreading have long been an unpleasant and challenging aspect of adolescent life. But the proliferation of smartphones and the rise of social media has transformed where, when and how bullying takes place. A new Pew Research Center survey finds that 59% of U.S. teens have personally experienced at least one of six types of abusive online behaviors.

The most common type of harassment youth encounter online is name-calling. Some 42% of teens say they have been called offensive names online or via their cellphone. Additionally, about a third (32%) of teens say someone has spread false rumors about them on the internet, while smaller shares have had someone other than a parent constantly ask where they are, who they're with or what they're doing (21%) or have been the target of physical threats online (16%).

While texting and digital messaging are a central way teens build and maintain relationships, this level of connectivity may lead to potentially troubling and nonconsensual exchanges. One-quarter of teens say they have been sent explicit images they didn't ask for, while 7% say someone has shared explicit images of them without their consent. These experiences are particularly concerning to parents. Fully 57% of parents of teens say they worry about their teen receiving or sending explicit images, including about one-quarter who say this worries them a lot, according to a separate Center survey of parents.

The vast majority of teens (90% in this case) believe online harassment is a problem that affects people their age, and 63% say this is a major problem. But majorities of young people think key groups, such as teachers, social media companies and politicians are failing at tackling this issue. By contrast, teens have a more positive assessment of the way parents are addressing cyberbullying.

These are some of the key findings from the Center's surveys of 743 teens and 1,058 parents living in the U.S. conducted March 7 to April 10, 2018. Throughout the report, "teens" refers to those ages 13 to 17, and "parents of teens" are those who are the parent or guardian of some-

one in that age range.

Similar shares of boys and girls have been harassed online – but girls are more likely to be the targets of online rumor-spreading or non-consensual explicit messages.

Teen boys and girls are equally likely to be bullied online, but girls are more likely to endure false rumors, receive explicit images they didn't ask for. When it comes to the overall findings on the six experiences measured in this survey, teenage boys and girls are equally likely to experience cyberbullying. However, there are some differences in the specific types of harassment they encounter.

Overall, 60% of girls and 59% of boys have experienced at least one of six abusive online behaviors. While similar shares of boys and girls have encountered abuse, such as name-calling or physical threats online, other forms of cyberbullying are more prevalent among girls. Some 39% of girls say someone has spread false rumors about them online, compared with 26% of boys who say this.

Girls also are more likely than boys to report being the recipient of explicit images they did not ask for (29% vs. 20%). And being the target of these types of messages is an especially common experience for older girls: 35% of girls ages 15 to 17 say they have received unwanted explicit images, compared with about one-in-five boys in this age range and younger teens of both genders.²

Online harassment does not necessarily begin and end with one specific behavior, and 40% of teens have experienced two or more of these actions. Girls are more likely than boys to have experienced several different forms of online bullying, however. Some 15% of teen girls have been the target of at least four of these online behaviors, compared with 6% of boys.

In addition to these gender differences, teens from lower-income families are more likely than those from higher-income families to encounter certain forms of online bullying. For example, 24% of teens whose household income is less than \$30,000 a year say they have been the target of physical threats online, compared with 12% whose annual household income is \$75,000 or

more. However, teens' experiences with these issues do not statistically differ by race or ethnicity, or by their parent's level of educational attainment.

The likelihood of teens facing abusive behavior also varies by how often teens go online. Some 45% of teens say they are online almost constantly, and these constant users are more likely to face online harassment. Fully 67% of teens who are online almost constantly have been cyberbullied, compared with 53% of those who use the internet several times a day or less. These differences also extend to specific kinds of behaviors. For example, half of teens who are near-constant internet users say they have been called offensive names online, compared with about a third (36%) who use the internet less frequently.

A majority of teens think parents are doing a good job at addressing online harassment, but smaller shares think other groups are handling this issue effectively.

School officials, tech companies and lawmakers are looking for ways to combat cyberbullying. Some schools have implemented policies that punish students for harassing messages even when those exchanges occur off campus. Anti-bullying tools are being rolled out by social media companies, and several states have enacted laws prohibiting cyberbullying and other forms of electronic harassment. In light of these efforts, Pew Research Center asked young people to rate how key groups are responding to cyberbullying and found that teens generally are critical of the way this problem is being addressed.

A majority of teens think parents are doing a good job in addressing online harassment, but are critical of teachers, social media companies and politicians. Indeed, teens rate the anti-bullying efforts of five of the six groups measured in the survey more negatively than positively. Parents are the only group for which a majority of teens (59%) express a favorable view of their efforts.

Young people have an especially negative view of the way politicians are tackling the issue of cyberbullying – 79% of teens say elected officials are doing only a fair or poor job of addressing this problem. And smaller majorities have unfavorable

views of how groups such as social media sites (66%), other users who witness harassment happening online (64%) or teachers (58%) are addressing harassment and cyberbullying.

Teens' views on how well each of these groups is handling this issue vary little by their own personal experiences with cyberbullying – that is, bullied teens are no more critical than their non-bullied peers. And teens across various demographic groups tend to have a similar assessment of how these groups are addressing online harassment.

About six-in-ten parents worry about their own teen getting bullied online, but most are confident they can teach their teen about acceptable online behavior.

Parents believe they can provide their teen with the appropriate advice to make good online decisions. Nine-in-ten parents say they are at least somewhat confident they can teach their teen how to engage in appropriate online behavior, including 45% who say they are very confident in their ability to do so.

About six-in-ten parents worry about their teen getting bullied online, exchanging explicit images, but this varies by race, ethnicity and the child's gender. But even as most parents are confident they can educate their child about proper online conduct, notable shares are concerned about the types of negative experiences their teen might encounter online. Roughly six-in-ten parents say they worry at least somewhat about their teen being harassed or bullied online (59%) or sending or receiving explicit images (57%). In each case, about one-in-four parents say they worry a lot about one of these things happening to their child.

These parental concerns tend to vary by race and ethnicity, as well as by a child's gender. Among parents, whites and Hispanics are more likely than blacks to say they worry about their teen being cyberbullied. Hispanic parents also are more inclined than black parents to say they worry about their child exchanging explicit images. At the same time, parents of teen girls are somewhat more likely than those with a teenage boy to say they worry about their teen being bullied online (64% vs. 54%) or exchanging explicit images (64% vs. 51%).

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Biosphere Reserve – The Role Model of Regions for Sustainable Development

Continued from p. 6

activities. According to the study, the gross value added generated through labeling is twice the budget of the biosphere reserve itself.

Therefore, besides preserving biodiversity, protected areas are increasingly recognized for generating economic benefits to the people in or near them. Apart from the benefits of tourism in national parks, biospheres are benefiting significantly from the development of alternative food networks (as in Rhön and Entlebuch). What biosphere reserves can do – as the Rhön and Entlebuch cases show – is to offer alternatives to industrial food production, distribution and consumption, by certifying local products with a label that guarantees their regional origin and/or sustainability of production, creating a more direct link and greater trust between producer and consumer. These networks are considered to be important and innovative approaches to promoting sustainable local added-value chains in rural regions.

Of course, not all UNESCO biosphere reserves are as successful as those discussed above. There are a variety of reasons for this. Some, for example, are created artificially and are not able to serve their main functions. A 2006 comprehensive study of 211 biosphere reserves showed that the most important factors for biosphere reserve success are: environmental education of the local population, cooperation of local authorities and local stakeholders, long-term research and monitoring of environmental conditions, and design and implementation of modern nature conservation programmes and laws. Most importantly, biosphere reserves should create an environment that is financially beneficial for the local population. Enabling the stable economic existence of residents in the environment of biosphere reserves is the best way of gaining acceptance of all the use-restrictions induced by nature conservation measures. Locals must be able to earn a living and should have a deep affinity with the region. Without proper economic incentives, biosphere reserves will not be successful.

Currently, the Government of Georgia is exploring the potential and feasibility of a biosphere reserve in the Kakheti region, in the Tusheti and Dedoplistskaro areas. These areas were chosen as most suitable for a biosphere reserve, because of several favorable factors. In particular, the existence of protected territories, ethnic and language diversity (including the Bats language, which is included in the UNESCO endangered languages list), traditional cultural heritage, good potential for eco-tourism, existence of innovative projects in agriculture, and potential for transboundary cooperation are all positive factors. Specialist think that one of the focuses of a Tusheti and Dedoplistskaro biosphere reserve could be a transhumance livestock – the tradition of moving sheep from Tusheti to the lowland, winter pastures of the Shirak-Samokhi valley. This mobile pastoralist system is considered to be one of the ways to preserve biodiversity and an effective climate change coping strategy, which lacks promotion worldwide and is characterized by a decreasing trend.

I believe a properly implemented biosphere reserve could play a very important role for the Tusheti and Dedoplistskaro areas, and beyond. It is promising that local authorities of Akhmeta (which includes the Tusheti area) and the Dedoplistskaro municipality have expressed willingness to support and establish a biosphere reserve. Let's hope that such a reserve will pave a similar path for the Tushetan sheep breed as it did for Rhön sheep and become as successful as in Rhön. It clearly has the potential to show other regions how communities can take advantage of proper and sustainable regional development practices, preserving their ecosystems and cultural heritages, and gaining huge benefits from the process itself.

Weekly Market Watch



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CREATING OPPORTUNITIES

WEEKLY MARKET WATCH EXCLUSIVELY PROVIDED TO
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ECONOMY

Real GDP growth was 4.8% y/y in 8M18

Georgia's economy growth slowed to 2.0% y/y in August 2018 after growing 4.6% y/y in previous month, according to GeoStat's rapid estimates. In August 2018, the growth was posted in financial intermediation, trade, transport, real estate and hotels and restaurants sectors. Overall, real GDP

growth was 4.8% y/y in 8M18. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics. Current account deficit was 8.9% (+0.6ppts y/y) of GDP in 2Q18, increasing 17.0% y/y to US\$ 368.5mn, according to NBG. Merchandize trade deficit, traditionally the major contributor to deficit creation, increased 20.6% y/y to US\$ 1.0bn, as exports increased 28.2% y/y, while imports were up 24.5% y/y. Positive balance in services was up 20.6% y/y to US\$ 572.3mn (13.8% of GDP), driven by strong tourism

Key macro indicators			
	8M18	2017	2016
GDP (% change)	4.8%	5.0%	2.8%
GDP per capita (ppp)	10,747	10,091	9,351
GDP per capita (USD)	4,068	3,851	3,581
Population (mn)	3.7	3.7	3.1
Inflation (avg)	3.1%	6.7%	1.8%
Gross reserves (US\$ bn)	2.9	3.0	2.1
CAD (% of GDP)	11.6%	8.9	13.2%
Fiscal deficit (% of GDP)	3.9%	4.1%	4.1%
Total public debt (% of GDP)	44.6%	44.4%	44.4%

Source: Official data, IMF 2) As of 1H18



Source: GeoStat Note: Rapid estimate for 4Q17

Georgia sovereign credit ratings

STANDARD & POORS
BB- Stable Affirmed May-2017

MOODYS
Ba2 Stable Affirmed Sep-2017

FITCH RATINGS
BB- Positive Affirmed Mar-2018

Source: Rating agencies

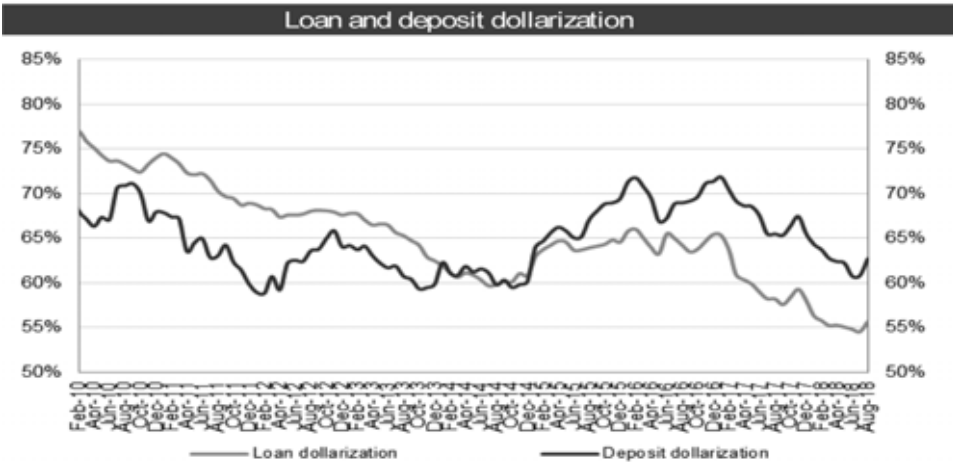
International ranking, 2017-2018

- Ease of Doing Business s# 9(Top 10)
- Economic Freedom Index # 16 (mostly free)
- Global Competitiveness Index # 59 (improving trend)

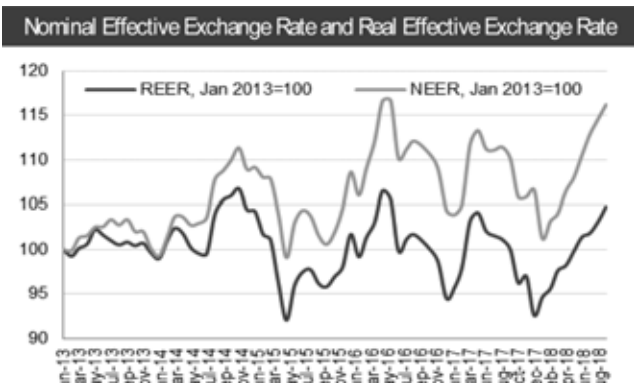
Source: World Bank, Heritage Foundation and World Economic Forum

NPLs at 2.6% in August 2018

In August 2018, the banking sector loan portfolio increased 19.0% y/y after growing 18.1% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 23.3% y/y and up 4.1% m/m to GEL 24.2bn (US\$ 9.4bn). Deposits were up 16.9% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 21.2% y/y and up 5.1% m/m to GEL 21.5bn (US\$ 8.4bn). Deposit dollarization stood at 62.7% (-2.8ppts y/y and +1.9ppts m/m). NPLs stood at 2.6% in August 2018 (-0.7ppts y/y and flat m/m).



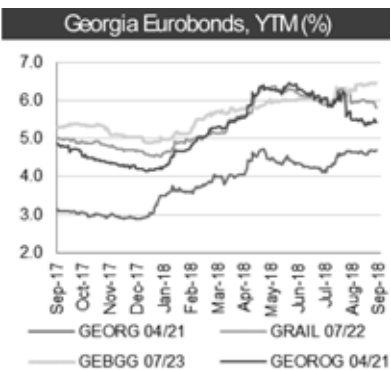
Source: NBG



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

FIXED INCOME

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.5% yield, trading at 98.0 (-0.2% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 92.5 (+0.4% w/w), yielding 7.8%. **GOGC Eurobonds** (GEORG) were trading at 103.2 (unchanged w/w), yielding 5.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.5 (+0.5% w/w), yielding 5.8%. **Georgian Sovereign Eurobonds** (GEORG) closed at 105.2 (+0.1% w/w) at 4.7% yield to maturity.



Source: Bloomberg

	Local bonds				Eurobonds						
	GWP 12/21	M2RE 10/19	Nikora 06/19	GLC 08/20	GEOCAP 03/24	GEBGG 06/20	GEORG 04/21	GEBGG 07/23	GEORG 04/21	GRAIL 07/22	
Amount, US\$ mn	30*	25.0	10.0	10.0	300	500*	250	350	500	500	
Issue date	12/16	10/16	08/17	8/17	03-18	06-17	04/16	07/16	04/11	07/12	
Maturity date	12/21	10/19	06/19	8/20	03-24	06-20	04/21	07/23	04/21	07/22	
Coupon, %	10.50**	7.5	9.0	7.00	6.125%	11.0	6.750	6.000	6.875	7.750	
Fitch/S&P/ Moody's	BB-/A-	A-	A-	n/a	-B+/B2	BB-/Ba2	BB-/B+	BB-/B2	BB-/Ba2	B+/B+	
Mid price, US\$	n/a	102.29	101.3	99.38	92.5	100.5	103.2	98.0	105.2	106.5	
Mid yield, %	n/a	5.25%	3.8%	6.75%	7.8	10.7	5.4	6.5	4.7	5.8	
Z-spread, bps	n/a	n/a	n/a	n/a	478.3	346.1	241.2	344.5	165.5	276.5	

* 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-/Ba2	4.7
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba2	4.4
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	0.1
Croatia	1,250	3.875%	30/05/2022	BB-/BB-/Ba2	0.6
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	3.5
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	3.8
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	3.7
Turkey	2,000	5.625%	30/03/2021	BB+/BB-/Ba2	6.4

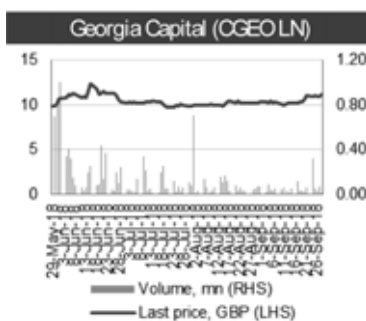
Source: Bloomberg

EQUITIES



Source: Bloomberg

Bank of Georgia Group (BGE LN) shares closed at GBP 17.11/share (-8.91% w/w and +0.18% m/m). More than 365k shares traded in the range of GBP 16.71 – 19.00/share. Average daily traded volume was 58k in the last 4 weeks. FTSE 250 Index, of which BGE is a constituent, lost 1.21% w/w and lost 2.44% m/m. The volume of BGE shares traded was at 0.74% of



Source: Bloomberg

its capitalization. **Georgia Capital** (GEO LN) shares closed at GBP 11.16/share (+0.60% w/w and +9.37% m/m). More than 491k shares traded in the range of GBP 10.86 – 11.27/share. Average daily traded volume was 59k in the last 4 weeks. The volume of GEO shares traded was at 1.28% of its capitalization.

TBC Bank Group (TBC LN) closed the week at GBP 16.84 (+2.56% w/w and +3.95% m/m). More than 122k shares changed hands in the



Source: Bloomberg

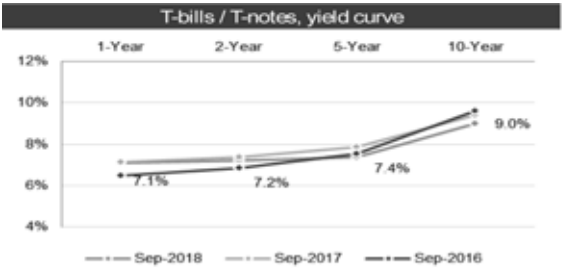
range of GBP 15.82 – 17.04/share. Average daily traded volume was 20k in the last 4 weeks. The volume of TBCG shares traded was at 0.23% of its capitalization.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.20/share (+2.33% w/w and -10.93% m/m). More than 45k shares were traded in the range of GBP 2.11 – 2.29/share. Average daily traded volume was 29k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.

MONEY MARKET

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,230mn (US\$ 469.5mn).

Ministry of Finance Benchmark Bonds:



Source: NBG Note: As of latest auction.

5-year GEL 30.0mn (US\$ 11.5mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on September 26, 2018. The weighted average yield was fixed at 7.40%. The nearest treasury security auction is scheduled for October 3, 2018, where GEL 40.0mn nominal value 1-year T-Bills will be sold.



Source: NBG

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

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Public discussions with construction industry representatives about urban planning of the city is particularly important, and has been seriously lacking in Tbilisi. Population should know the projects that will become part of Tbilisi in the near future. It is important to know what role companies will take in developing green spaces and recreational zones and what kind of environment they are going to offer to Tbilisians.

I am pleased to welcome the construction forum that is planned in November, and I am calling on all interested people to join URBAN Georgia – Forum to provide input in making Tbilisi a City Full of Life.

(More info to be found at: <https://urbantbilisi2018.eventgrid.com/>)

Kakha Kaladze
Mayor of Tbilisi

For More Details Please Contact Lali Javakhia, Head of Marketing - 558 03 03 03; marketing@finchannel.com

