

## OPINION & ANALYSIS

Does Racha need a cascade of hydropower plants?

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## ECONOMICS

US Assistance Strengthens Georgia's Response to COVID-19



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By NATALIA KOCHIASHVILI

On 14th of May 14th, a local watchdog Transparency International Georgia (TIG) released the assessment of the money laundering prosecution related to the TBC Bank case. The report was compiled by Australian lawyer Pauline David – an 'independent' expert in money laundering. According to the report, there is no basis to prove Mamuka Khazaradze, Badri Japaridze or Avtandil Tsereteli committed a money laundering offence, either individually or as co-conspirators.

After an assessment of Georgian and international laws, the Indictment, the facts in issue, and accepted international jurisprudence in money laundering cases, key findings show that there is no evidence from which to infer an intention: to 'legalise'(launder) any funds obtained by way of loan; to conceal the 'illegal origins' of the loan funds; or to integrate those funds back into the legitimate economy.

According to the information, published by TIG, even if the court found every fact in issue in the case in favour of the prosecution, those facts are not capable of supporting a money laundering charge.

David argues that money laundering and the underlying predicate crime (misappropriation in this case) are separate offences. Proof of a predicate the crime of misappropriation alone is not proof of money laundering. Even if the prosecution proved misappropriation, the subsequent conduct alleged could only support the use of misappropriated proceeds, not the laundering of those proceeds.

Internationally courts condemn the practice of prosecuting for money laundering, when the conduct alleged extends no further than conduct capable of proving the predicate crime. Because of the statutory time limitation, the crime of misappropriation cannot now be prosecuted as a stand-alone offence, nor can it be proven as a predicate crime.

"It can be an abuse of process to circumvent a statute of limitations by

## Independent expert finds no proof of money laundering in TBC bank case



► Khazaradze: "This is a politically motivated case against Bidzina Ivanishvili, his prosecutor's office and the judges he appointed against us."

prosecuting a person for an inappropriate or artificially constructed charge (money laundering) to get around the fact that the appropriate charge for the conduct alleged (misappropriation) is statute barred," reads the release.

In many jurisdictions, where the court has determined a prosecution is an abuse of process, the court has used its inherent power to protect the court by terminating those proceedings.

Note, that in November 2019, TIG selected David in an international open competition for an anti-money laundering expert to assess the criminal prosecution related to the money laundering charges against businessman Mamuka Khazaradze, Badri Japaridze and Avtandil Tsereteli in order to determine the extent to which their financial transactions in 2008 contained elements of money laundering in accordance with international standards and Georgian law.

In January 2020, Pauline David, a practicing lawyer with 30 years of experience, a member of the Australian Bar Association and an expert in anti-money laundering, was selected, who visited Georgia this February for meetings.

Khazaradze and Japaridze, founders of the TBC Bank and now politicians, are facing criminal investigation over money-laundering allegations involving a \$17 million transaction that took place in 2008. Tsereteli, a businessman and father of the owner of TV Pirveli, a critical voice against the ruling party, was also charged for being complicit in the alleged laundering scheme.

Khazaradze denies the charges, claiming the legality of the said transaction was inspected multiple times by the local and

international fiscal authorities and no 'red flags' were raised. He said the bank was suffering an 'orchestrated' political attack.

Developments around TBC Bank have brought into question the fate of the Anaklia Deep Sea Port project, a \$2.5 billion investment on the Black Sea coast not far from Abkhazia, where Mamuka Khazaradze's TBC Holding was the leading partner.

Khazaradze, who now leads a political union Lelo for Georgia, has ascribed his 'persecution' to his role in the construction of Anaklia port, suggesting that the purpose of the investigation could be to squeeze him and Japaridze out of the project.



► The legal expert, David said she found no evidence in the case indicating an intention to "launder funds obtained by way of loan, to conceal illegal origins of the loan funds, or to integrate those funds back into the legitimate economy."

Ana Natsvlshvili, one of the leaders of the political union Lelo for Georgia stated yesterday, that in the end, everyone unanimously says that the case of Khazaradze-Japaridze-Tsereteli is 'not about the administration of justice, but about political motivation.' According to her, this report is further evidence that the Georgian Dream has not kept its promise of a justice system that would be fair and free from political pressure.

According to Khazaradze, all the conclusions indicate the same fact that this case is politically motivated and there are no crimes in the case. He emphasized that Lelo's growth is frightening the ruling party, however, the results will be shown in October elections. He reiterated that Georgian Dream has reached the point where international partners have talked out loud about what's happening in Georgia; the ruling party tried to discredit him and Japaridze, 'main actors of Anaklia project', which he promised to start right after winning elections.

At a press conference, Japaridze said that the government was using a pandemic, trying to use it to gain political incentives and to continue repressing political opponents. He also spoke of the March 8 deal between the ruling party and opposition, saying "We should not allow the government to lead the opposition parties to radical steps and undermine the agreement reached with so much effort and the great involvement of our foreign friends."

According to him, it is important that both agreements are implemented to have a peaceful electoral environment: accepting constitutional changes and releasing political leaders from prison.

# Technological Future of the Insurance Industry after COVID-19 impact

IN THE CURRENT SITUATION, INSURANCE COMPANIES HAVE TO OVERCOME MANY OBSTACLES, BUT IN THE FUTURE THIS MAY CHANGE.

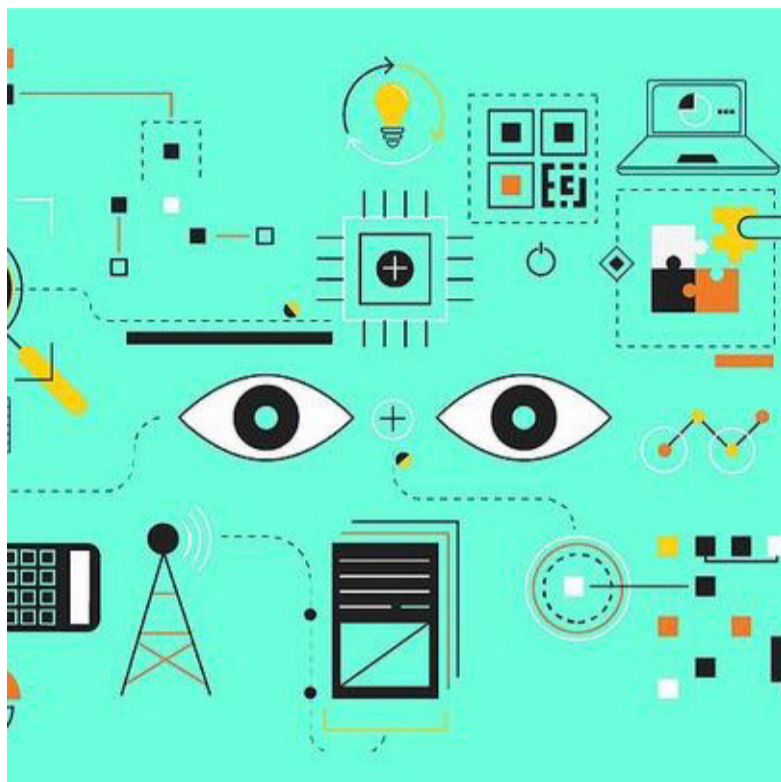
BY ANASTASIA SOKHADZE

The sudden changes will cause some shock to the industry, which will inevitably lead to significant modifications.

If before most people were not interested in any of the insurance packages, today this attitude is being reassessed. Businesses will pay more attention to insurance. The insurance industry will have to respond to these changes in the short term to make it possible to develop a long-term strategy based on the new reality we have to face up to.

COVID-19 has dealt a huge blow to the world economy and it is impossible to restore it in a short time. First of all, it means that insurance companies have to think of other ways to make money - which they should have been doing since 2008. It is not ruled out that due to the pandemic, the regulatory authorities can introduce new rules for the capital reserve, which will speed up the reassessment process for the insurance industry.

Additionally, whether it is a person, a small or medium-sized business owner, or a large corporate buyer, it is often difficult for them to understand what is causing the loss. This is due to the contract and the terms, which are often too long, and the incom-



► The alterations and improvements technology will have to go through.

prehensible foreign terminology used there remains difficult to understand to the customer. This can be corrected, but insurance companies will need a lot of time to restore their credibility.

Thus, users will start looking for an insurance package that will cover the damage caused by the global pandemic or climate

change. For example, one of the largest insurance brokers, Marsh, has had a PathogenRX infectious disease pay package since 2018. Until now, its use was limited, as the package was considered one of the most expensive offers.

This case may prompt other insurance companies to create a

similar product. Old insurance products are becoming increasingly unusable and can no longer meet modern requirements.

The lower-priced insurance products have led to the fact that compensation for losses, especially for small and medium-sized businesses today, is often inadequate. Under the conditions of the pandemic, this problem, despite the growing demand, was exacerbated. The insurance company must be well aware of the seriousness of the situation so that it can then take the right retaliatory steps.

There are already insurance

technologies that provide more resilience in the face of future pandemics. When determining certain insurance options, insurance companies turn to new and alternative sources of information or new methodology for analyzing existing information.

The technological solutions needed for the insurance industry will be further developed next year. We must assume that insurance technologies and the current situation will help us to reassess the basics of insurance, which will have a positive impact on this industry as a whole in the future.



► COVID-19 improving reassurance methodology.

## Does Racha need a cascade of hydropower plants?

BY NATALIA KOCHIASHVILI

The Caucasus Office of the World Wildlife Fund (WWF) publishes its position on the development of hydropower and protected areas in Georgia. Due to the recent construction of hydropower plants in Racha and the difficult situation in the protected areas, WWF expressed general position and the views on the situation in Racha.

"The general position of the WWF regarding the construction of hydropower plants is

well known: the right HPP - the right place," reads the statement. As further explained, 'righteous HPP' means built with the latest, environmentally friendly and minimally harmful technologies, and 'right place' means taking into account the results of strategic planning and all 3 components of sustainable development: not only technical-economic, but also socio-cultural and ecological.

Thus, WWF opposes all hydropower projects whose planning and development do not meet internationally recognised standards and best practices.

WWF Caucasus Office lists 4 main reasons for why the organisation believes that Racha and the river Rioni HPP is not the right place to build: the region is generally a seismically overly



► Racha Community Organization protests the construction of the HPP in Oni.

sensitive geological balance, which increases the risk of possible catastrophic developments;

Rioni floodplains are of international ecosystem importance (this type of habitat is included in the relevant list of the Berne Convention);

The river Rioni is an ecosystem of high conservation value - one of the few rivers in the world where sturgeon-endangered species are still breeding in the natural conditions. In this sense, the river Rioni is the only and irreplaceable one on the east

coast of the Black Sea Basin. The construction and operation of an additional hydropower cascade on the Rioni will further jeopardize the already reduced habitat areas for sturgeon and ultimately protect and maintain sturgeon;

The unparalleled damage will be done to the genetic diversity, which in this region is characterised by unique agro-biodiversity and the natural-cultural heritage, namely - the rarest, unique varieties of vines in the world. In addition, the tourist potential of Racha will be reduced by one tenth, claims WWF statement.

"Racha does not need a cascade of HPPs, it needs a big national park - nature will be protected, land will not be alienated (forest, pasture), people

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FRIDAY		MAY 15	
Day		Cloudy	
		High: 27°C	
Night		Cloudy	
		Low: 14°C	
SATURDAY		MAY 16	
Day		Sunny	
		High: 29°C	
Night		Cloudy	
		Low: 17°C	

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## US Assistance Strengthens Georgia's Response to COVID-19

THE MESSENGER STAFF

On May 14th, 2020, in Tbilisi at the Emergency Management Service, USAID/Georgia Mission Director Peter Wiebler joined Deputy Minister of Internal Affairs Ioseb Chelidze and Head of Georgia's Emergency Situations Management Service Temur Mghebrishvili to hand over field hospital tents provided to Georgia by the American people through the United States Agency for International Development (USAID). The field hospital tents will enhance the preparedness and response capabilities of the Emergency Management Service (EMS) of Georgia and support the safety of communities across Georgia during the COVID-19 pandemic.

"USAID thanks to the generosity of the American people has been able to support the Government of Georgia's response to the COVID-19 pandemic here in the country. Here with our partners at the Ministry of Internal Affairs, EMS we handed over 2 tents that USAID and our partners procured to help EMS respond to cope and ultimately control the spread of the virus in Georgia. It's obviously important for Georgia's immediate response to keep its citizens healthy and safe, but also it's critical to get the country back on a path to economic growth and stability that USAID and US Government have been sup-



porting Georgia so long to continue," USAID/Georgia Mission Director Peter Wiebler told The Messenger on May 14th.

In response to a request from the EMS of Georgia, the USAID/Zrda Activity, through

its partner the Association Rural Development for Future Georgia (RDFG), rapidly sourced and procured hospital field tents with a total area of more than 45 m<sup>2</sup> and heated technical field tents with a total area of more

than 20 m<sup>2</sup>. The tents will be deployed to quarantine zones across Georgia and after the crisis, will be handed over to the CBRN (Chemical, Biological, Radiological and Nuclear) Incidents Response Division (Rapid

response team) of the Fire and Rescue Forces Department at the EMS of Georgia. Provision of the tents is part of a larger effort by the U.S. Government to support Georgia's immediate COVID-19 response and help build its emergency preparedness capacity through upgraded equipment and enhanced training.

"On behalf of the Government of Georgia I would like to take this opportunity and once again thank the U.S. Government for its continuous support to Georgia in the face of the COVID-19 outbreak. Handing over these field hospital tents is one more signal of the strength of the Georgian-American partnership. We hope this assistance will further enhance preparedness and response capabilities of the EMS as well as safety of communities across the country", Deputy Minister of Internal Affairs, Ioseb Chelidze said on Thursday.

To date, the US Government, through USAID and other agencies, has deployed a range of resources to contain and prevent the spread of COVID-19 globally. In Georgia, the U.S. Government has responded rapidly to the pandemic by partnering with Georgia's Government, civil society, and private sector to prevent the spread of disease, support essential public services, and help prepare for the economic recovery from the pandemic.

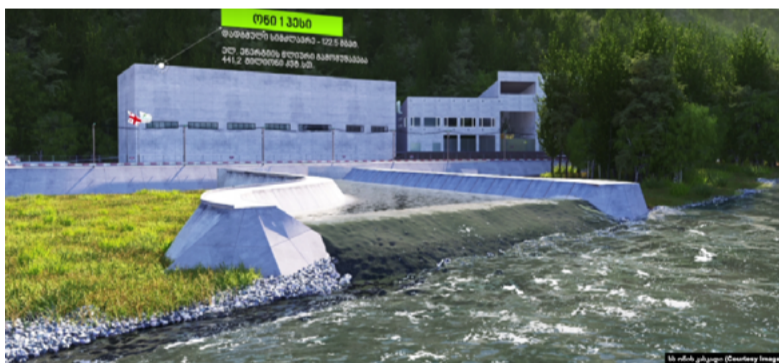
## CONTINUED FROM Page 2

will be satisfied with firewood or other biological resources and, at the same time, locals will be employed in the park and the national park (as a 'brand') will attract thousands of tourists," says WWF CAUPO, noting that the establishment of the park was planned considering technical requests of the government, yet it has not been established.

JSC Oni Cascade, the project implementing company issued the announcement after the statement of political parties, non-governmental organisations as well as media coverage, calling all information false. They wrote that the construction of Oni Cascade is clearly designed for high seismicity and that a detailed seismic survey has been carried out, in particular, by the leading European company Studer Engineering GmbH.

JSC argues that a number of important HPPs have already been built in the high seismic zone of Georgia, including the Shaori and Lajanuri HPPs with their reservoirs and writes:

"None of the HPPs were damaged, neither for the environment nor for the local population during the powerful earthquake that struck in 1991." Rioni will not dry up and Oni will not turn into a desert - we read in the statement of JSC Oni Cascade. The argument is as follows:



► The World Wildlife Fund opposes all hydropower projects planning and development of which does not meet internationally recognized standards and best practices.

Both hydropower plants will take part of the water from the Rioni River near the main building. The remaining water is also added to the hydro resources of numerous tributaries of the Rioni, which in total is more than sufficient during the water shortage period, for the smooth operation of the local flora and fauna in winter.

During the flood season (spring-autumn), the water taken by the HPP will be almost unnoticed, so much water comes naturally into the river.

The next issue is landslide-prone areas. Here, too, Oni Cascade calls it a lie that the project's geology was only done by taking aerial photographs, and the project will negatively affect active landslide areas. They claim that detailed geological surveys have been conducted three times, all important sites have been drilled and all the necessary laboratory

tests have been performed.

Then comes the fate of mineral springs in the village of Utsera. Environmentalists are talking about the danger of the disappearance of these waters.

"Based on the hydrogeological studies and also taking into account the Oni 1 HPP tunnel in the village the distance from the inscription is 2.4 km, the negative impact of the project on the mineral waters is minimized," it says, adding that all mineral or drinking water manifestations have been studied and recorded. Detailed monitoring of mineral and drinking water will be carried out during construction and operation, which will also be strictly controlled by the Ministry of Environment and Agriculture.

The Oni HPP Cascade Project includes two HPPs - Oni 1 HPP and Oni 2 HPP. The total installed capacity of the project is 206.1 MW, and the planned aver-

age annual electricity production is 780 million kWh, which is more than 6% of Georgia's annual electricity consumption. The total investment of the project is \$ 330 million. Georgian Co-Investment Fund owns 10% of the project, and 90% of the shares belong to the company, "Feri" Ltd.

Criticism that the project will not have a positive impact and socio-economic benefits, JSC Oni Cascade at the end of the statement also lists several factors in terms of response and benefits: Strengthening the country's energy independence; Imports of electricity reduced by several hundred million kWh during the winter; Property tax paid annually in the local municipality budget, which is 1% of the total investment; Employment of 300-400 local residents at different stages of construction and employment of 100-150 local residents after commissioning.

And yet members of the movement against the Oni HPPs, activists and part of the local population (including Racha Community Organization) are opposing it. Movement 'No to Oni Cascade' is in the process of preparing a lawsuit - they plan to sue in court and thus obstruct the process and to hold a protest rally in Racha as soon as the state of emergency ends.

Levan Davitashvili, the Minister of Environment and Agriculture, called the statements of the

representatives of specific political parties and non-governmental organizations regarding the construction of the Oni HPP cascade disinformation, irresponsible and treacherous, which were recently spread by the media.

"All the information provided to the population by the media was a lie, absolutely everyone," he said on May 12th.

Other members of the government responded to the story of Oni Cascade. For example, Roman Kakulia, chairman of the Parliamentary Committee on Sectoral Economics and Economic Policy, said: "We get a kilowatt hour. And the property tax, which will be consumed locally by the population, will be €8 million."

Economy Minister Natia Turnavna, whose ministry is to issue the final construction permit for Oni HPPs, said the Oni HPP project is safe, employs people and "makes a significant contribution to the country's energy independence."

Davitashvili issued an environmental decision on March 17th, 2020 (Order N2-256) on the construction and operation of a cascade of Oni hydroelectric power plants in Oni Municipality, on the Rioni River. It has also been reported that Bidzina Ivanishvili's interests are behind the Oni cascade, which was denied by Prime Minister Giorgi Gakharia in the May 11th statement.