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BY NATALIA KOCHIASHVILI

The Prime Minister of Georgia Giorgi Gakharia addressed the Parliament on 27th of May, with a report on how the government was handling the country in the event of a state of emergency over the Coronavirus pandemic. The PM answered the questions asked by the deputies as well. According to the PM, all those who will take out a mortgage loan until the end of the year will receive a state subsidy, thus helping the construction sector as well as citizens. This is a novelty that has been voiced during the parliament visit, though it's yet unknown what percentage will be covered by the state in this program.

Gakharia stated that the government will allocate €150 million to satisfy the IDPs. "It will also be a direct support to the construction sector so that their resilience is strong and the tragedy that happened after the 2008 crisis, when many families in Georgia had to pay their last income for flats, and they are still on the streets today, is not repeated," Gakharia said in a speech to parliament.

According to official statistics, 283,271 IDPs from Abkhazia and the Tskhinvali region, more than 90,000 families, are registered in Georgia. Of these, only 40,000 families are provided with long-term housing, and more than 50,000 families are waiting for an apartment.

Gakharia, also said that 1.2 million families in Georgia have benefited from the utility bills. According to the government's decision, the population was granted benefits for 3 months due to the Coronavirus pandemic. All households that consumed 200 kilowatts of electricity per month were exempt from electricity, water, and cleaning bills. In addition, the benefit was extended to the consumption of natural gas - a family that consumed less than 200 cubic meters of gas was exempt from paying the fee. The PM announced that seasonally employed people will receive financial assistance, whose official salary is fixed.

According to Gakharia, in order to receive €1,200, seasonal employees should have fixed income during the last 6 months of 2019. Besides that, all employees who have been paid at least once during 3

PM Gakharia addresses Parliament of Georgia



► Gakharia on the March 8th agreement: "Transparent elections and fair competition are a priority."

months before the 1st of April and have lost their jobs or are on unpaid leave will receive a total of 1,200 for 6 months.

The PM announced that budget revenues will be 1 billion 800 million less this year. According to Gakharia, the government will reduce budget expenditures by 600 million: 300 million are current expenditures and 300 million - capital expenditures.

According to the first estimate of the International Monetary Fund, Georgia's annual economic growth rate will decrease by 4%. Giorgi Gakharia states that Georgia is the first country to complete negotiations in the face of a pandemic and economic crisis, and agreed on a new program with the IMF.

"This meant simplifying the work with other donors, which was confirmed in 2-3 weeks and the Georgian government received 1 billion 500 million donations from donors," Gakharia said, adding that the government had already started using some of the money.

He also spoke of attracting tourists, mentioning quick PCR testing that will be available in Georgia. According to him, another strong detail should be added to the tourism of Georgia - the status of the "Covid Free" zone.

Georgia has been waiting for tourists since July 1st. According to the Minister of Economy, about 20 airlines have expressed a desire to fly to Georgia.

The PM also noted that the crisis has shown us that the country should not be dependent solely on tourism, but this doesn't mean that we should stop tourism now. He said tourism is a low-capital, relatively fast-growing sector that has a very large transfer power.

According to the PM, the relevant agency of the Ministry of Health has been instructed that the country will be able to conduct 10,000 PCR tests during the day by the end of September. Speaking to the government in front of the parliament on the government's management strategy, he said that an average of 2500 tests are conducted daily, and that this number is expected to increase to 3000 in the near future. According to him, at the initial stage only 72-75 tests of the gold standard were conducted:

"When we talk about the fact that we will be one of the first countries to be able to open tourism and activate the economy, we are taking responsibility for the readiness of the healthcare system and laboratory networks," Gakharia said.

Next PM answered the question of the Chairman of the European Georgia faction Otar Kakhidze concerning the fact that €772 million has been forcibly accumulated in the pension fund and has not been returned to the population.

Gakharia answered that Pension reform is the most important thing for the country's financial stability and the position of opposing sides has always been that 'the gov't would spend people's money during the first crisis'. He added, that unlike forecasts, that money is depreciating, the average annual growth in the placement of this money is 14%. "Comparing the difference between the exchange rates, the transfer of the pension fund into foreign currency is economically completely nonsensical," PM said, adding that we get paid in Lari, not in dollars, therefore the pension fund is untouchable.

The prime minister says the country does not have the natural resources to accumulate tens of billions of reserves.

"The pension fund will be a guarantee for socially vulnerable people to have elementary protection during such turbulent crises in old age," The PM explained, accusing the opposition of populism, because they tell people that all these millions go to

the state, not mentioning that in addition to their money, there's also the money of the companies and the state, which is the money of the country. Head of the gov't added that the inability to assess the depth of the crisis or to predict further development also call for not spending money from pension funds.

European Georgia has registered a bill in parliament to write off a €3,000 fine imposed on citizens for violating the state of emergency. MP Sergi Kapanadze said that a total of more than €25 million GEL has been fined. According to Kapanadze, they applied to the government last week with a proposal to write off the fines, and since there was no reaction, they decided to initiate a bill.

PM said the government is not appealing to parliament to reconsider the fines imposed for violating the state of emergency. He noted that about 9,000 such cases had been reported during the period. Gakharia explained that the fine is a restraining order for the executive branch, that has been used quite effectively, especially given that the recommendations didn't work; therefore, the government will not call on anyone to cancel these fines, because the restraining force will not work without these tools.

Asked about the terms of the agreement reached between the government and the opposition on March 8th, namely Giorgi Rurua's release from prison, PM told MP Elene Khoshtaria that the country's top priorities at the moment were 'very transparent' elections and fair competition for constitutional change.

"We all need to make these legislative changes together," he said, adding that they would never agree on the issue of political arrests.

"Unfortunately, this is a fundamental problem that should not be postponed until the future of our country, and soon it will be clear and sorted out," said Gakharia.

According to him, there are no plans to limit the number of observers in the parliamentary elections and the government will do its best to support their activities. He also announced that there will be epidemiological tests, distance, transportation and everything that will be needed and there will be no postponement, unless there's a global explosion. Gakharia added that he is confident there will be the most observers in the October 2020 parliamentary elections.



► PM expects most observers at 2020 parliamentary elections, pledges that the executive and the team will not back down from their commitments.

Russia demands admission to the Richard Lugar Laboratory

By KHATIA BZHALAVA

Lugar Laboratory has once again become the target of Russia's strict interest. In the statement released by the Ministry of Foreign Affairs of the Russian Federation, they demand admission of Russian specialists to the Richard Lugar Laboratory, as they have mistrust in the operations which they think to be supervised by the USA.

As the statement reads, the Laboratory is used for the interests of the US Department of Defence and in the area of the Center operates American ground department of medical research. The military authority of the US and other structures in connection funded the research conducted in the Laboratory and paid the expenses to assure the security of the center. "Despite our request, the US does not inform us about the dual-purpose activities operated in the Laboratory, the reason for our concern is that we are not aware of what the US does near our border, this is naturally the subject of our interest in the context of national security."

The statement marks that the activities of the Laboratory bear questions on how faithfully does the US comply with the responsibilities determined by Biological and Toxin Weapons Convention (BTWC). The statement mentions an assumption according to which, on this very unit, researches are being operated on insects as spreaders of especially hazardous biological agents and pathogens of infections.

Russia considers the visit of foreign experts to the Laboratory on November 14-15, 2018, as mistaking international society on the actual status of the Lab. As the statement reads, the program did not include a thorough and profound examination of the unit, which would enable objective assessment of the center's operations. On May 27th, the Ministry of Foreign Affairs of Georgia responded to Russia's statement and accused the official Moscow of spreading false information.

"Whilst Georgia was receiving congratulations on independence day from neighboring and partner countries, the Ministry of Foreign Affairs of the Russian Federation, issued a statement of allegations regarding the Richard Lugar Center. Mentioned disinformation is extremely astonishing under the conditions, when the center's activities are consid-



Richard Lugar Center for Public Health Research.



BTWC.

ered as one of the crucial aspects of Georgian government's success against the novel coronavirus and the center's work is positively reviewed by the international community," reads the statement released by the Ministry of Foreign Affairs of Georgia.

The statement clarifies that the Laboratory is a subdivision of the disease control center and is a part of the institution of the healthcare system of Georgia. It is entirely financed by the Georgian government, therefore any research or study is imple-

mented under the coordination of relevant authorities of Georgia. As it is noted, American partners have no function in setting the tasks of the center or have no permission to manage any research independently.

The statement notes that Georgia conscientiously fulfills the International responsibilities imposed according to the Biological and Toxin Weapons Convention. On November 14-15, 2018, Georgia hosted the international exercise, which was organized with the assistance of Germany

and aimed to assure the transparency of the Lab. Security and bio experts from almost 20 countries participated in the event and it is notable that Russia was sent an invitation as well, however, Georgia received a stringent rejection from the federation to engage Russian experts in the occasion. This clearly asserts Russia's seeming concern in the work of the laboratory.

"Regardless, Ministry of Foreign Affairs of Russia doubts the conclusion of leading experts in the field and what is more startling, the incorrect accusations from Russia are based on the disinformation from uncertain 'experts', which is actively promoted by solely Russian media outlets and that evidently highlights the incompetence and aggressiveness of the argumentations."

As the statement notes, even though the country has no legal bilateral duty to Russia, Georgia is and always was in readiness to host competent Russian experts, who own admission on the facilities of such Laboratories, but the visits can only be carried out ac-

ording to the mechanism framed by Biological and Toxin Weapons Convention (BTWC). Georgian side calls on the international community, especially the members of BTWC to review Russia's aggressive statements against Georgia, to condemn the apparent existence of disinformation and not to let the successful working of an exemplary institution in the region be under suspicion.

Note that the US Embassy in Georgia issued the statement on the 'Disinformation Campaign Against the Lugar Center' yesterday. Announcement calls the disinformation campaign by Russia 'disturbing', including the fabrication of lies and its dissemination in connection with the Lugar Center, which has played a vital role in the fight against the Covid 19 in Georgia.

"The United States will not weaken its strong support for Georgia's sovereignty and territorial integrity. We reiterate our demand that Russia stop occupying 20 percent of Georgia's territory, fulfill its 2008 commitments, withdraw its forces and stop blocking the delivery of international humanitarian aid," read the statement, as it also concerned the 'borderisation process' on the administrative division line.

Richard Lugar Center for Public Health Research, which was opened in 2011 and fully exploited in August 2013, is based on the National Center for Disease Control and Public Health. The Lugar Center is the nearest building and the highest level of laboratory network in Georgia, representing the public health system referral library. The construction of the current center was launched in 2004 after the US Government and the Government of Georgia signed between the US Department of Defence and the Ministry of Defence of Georgia. The Lugar Research Center is now fully passed on by the Government of Georgia, and since 2018 Georgia provides full funding for the Lugar Research Center and Laboratory Network.

EU4Energy: Georgia adopts two key energy efficiency laws

On 21 May, the Parliament of Georgia adopted key energy efficiency legal acts: the Law on Energy Efficiency and the Law on Energy Performance of Buildings, which transpose the EU Directives in this field. Georgia has continued to implement electricity by-laws according to schedule, even during the COVID-19 pandemic.

By adopting the two laws, the Government of Georgia is

given the opportunity to receive significant investments in public building renovation programmes, amounting to €80 million from the European Bank for Reconstruction and Development (EBRD) and German Bank KfW, €26 million in investment grants and €8.5 million in technical assistance from the EU. Georgia will get an additional €150 million in a policy-based loan tranche from KfW and the

French Agency for Development (AFD) for the implementation of reforms.

"The new framework will not only make Georgia's building industry more competitive, but also its households better supplied with energy services, and its building stock better insulated. It will boost the usage of greener energy sources for heating, cooling and lighting," said Violeta Kogalniceanu, Head

of the Energy Efficiency Unit at the Secretariat.

The laws were developed under the coordination of the Ministry of Economy and Sustainable Development of Georgia in close cooperation with the Secretariat, and with technical assistance provided by the EU supported project EU4Energy for the Buildings Law and by the EBRD for the Energy Efficiency Law.

THURSDAY MAY 28

Day Mostly Sunny
High: 30°C

Night Partly Cloudy
Low: 18°C

FRIDAY MAY 29

Day Partly Cloudy
High: 31°C

Night Cloudy/Wind
Low: 15°C

published by **The Messenger**

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US DOLLAR - 3.1916 | EURO - 3.4801 | GBP - 3.8890 | 100 RUSSIAN RUBLE - 4.4615 | SWISS FRANC - 3.2846 |

Credit activity significantly slowed in Georgia

BY NATALIA KOCHIASHVILI

The National Bank of Georgia (NBG) issued a statement on 27th of May, according to which NBG will extend the deadline for licensing and registration seekers by 2 months before fully restoring the safe working process.

This applies to all types of non-bank financial directions: payment service provider and system operator, stock exchange, central depository, brokerage company, securities registrar, credit union, microfinance organization, banknote issuer/loan issuer, currency transmitter.

Currency exchange activities in Georgia have been restricted since March 31st and are still closed. Asked when their activities will be resumed, Koba Gvenetadze, President of the NBG, said that the relevant decision was made not by the NBG but by the Georgian government.

"The National Bank does not decide whether to open or close any sectors of the economy, including currency exchange booths," he responded, adding that such solutions are made within the framework of dealing with COVID-19 by the executive branch in light of the epidemiological situation.

It's noteworthy that, according to NBG, following the spread of coronavirus, credit activity has slowed in Georgia.

In April 2020, the annual growth of loans, excluding the effect of the exchange rate, amounted to 17%. Meanwhile, the ratio of loans to gross domestic product still exceeds the long-term trend, which reflects the effect of high credit growth and exchange rates in previous periods.

National Bank states that the increased gap indicates an increase in the debt burden and



► "It is possible that the banks will end the year with a loss of 2020," the president of the NBG said at an online press conference.

vulnerability, especially in the corporate sector, therefore there will be no need to increase the countercyclical buffers this year.

Note that NBG left the countercyclical buffer unchanged, at 0% at yesterday's financial stability committee meeting.

Last month commercial banks in Georgia lent €34.21 billion and received deposits of €27.58 billion. The amount of deposits decreased by 4.49% month-on-month, while loans also decreased by 2.25%. Loans taken out in Georgian lari decreased by €87.35 million, while loans denominated in foreign currencies decreased by €699.71 million month-on-month.

In April 2020, the sum of term deposits (deposits made for a predetermined period of time) decreased by €523.02 million, while demand deposits, which allow for flexible withdrawal, also decreased by €774.69 million.

Gvenetadze announced at an online press conference that the banks might end the year 2020 with loss. According to him, the crisis of COVID-19 was met by the Georgian banking system with a high rate of profitability and adequate level of capital, but despite a good starting position, it is possible that the total loss in the sector will be much higher than profit.

"Given the stable operating income, it is expected that after the pandemic, banks and financial institutions will soon regain profitability," he said.

According to Gvenetadze, the growth of the share of inactive loans in the Georgian banking system in 2020 is forecasted. At the same time, the annual growth rate of loans is projected from 0 to 5%.

In the first 4 months of 2020, 15 commercial banks operating in Georgia (14 foreign-owned) lost a total of €667 million.

From the financial indicators, it is clear that the main reason for the loss was the reserve by the banks for possible losses of €1.2 billion. In total, Georgian commercial banks have saved €1.22 billion in the 'possible losses of assets' buffer, which reflects the amount of possible losses on loans due to the expected crisis.

President of the NBG also answered the question about the mortgage loan subsidy program. He said that this project will improve the financial condition of borrowers and will help restore credit activity in this direction. According to him, the demand on mortgage will fall, as well as prices, however, due to the right oversight policy in this direction, unlike the 2008 crisis, currently there are no price bubbles in the real estate market.

Gvenetadze thinks that this measure will increase population's access to mortgage on flats, restoring credit activity and increasing demand on real estate, that will relatively improve the condition of construction companies. He considers that this should only apply to Lari loans, that will encourage larization and reduce currency risks. This initiative will be soon officially announced by the government.



► Last month commercial banks in Georgia lent €34.21 billion and received deposits of €27.58 billion, says the NBG. Photo: BOG

Plaquenil removed from the medical guideline

BY KHATIA BZHALAVA

According to the research of the World Health Organisation, the Drug called Plaquenil (hydroxychloroquine), which was originally used to prevent and treat malaria, but was actively used against the novel coronavirus, raises the risk of mortality by 18%. As Tedros Adhanom, Director-general of the World Health Organisation said, the medical newspaper The Lancet shared the statistics which showed that the risk of death caused by heart problems was more common in COVID-infected patients, who were being treated with Plaquenil.

Director-General of the Infectious Diseases, AIDS and Clinical Immunology Research Center, Tbilisi, Tengiz Tsertsvadze explained that in Georgia, there have not been any

severe complications detected due to the use of Plaquenil, however, this does not mean that the medicine might not reveal negative side-effects in

further future experience. As he stated, since Georgia works with the same design as the WHO, Hydroxychloroquine is temporarily removed from the



► Plaquenil (hydroxychloroquine)



► Director-General of the Infectious Diseases, AIDS and Clinical Immunology Research Center, Tbilisi, Tengiz Tsertsvadze

medical guidelines in Georgia, until WHO presents its final research.

As Tsertsvadze noted, the currently favoured drug Remdesivir, which is considered as the most optimal medication, is also known to have many side-effects. He marks that it has not yet been said that Plaquenil was

the reason for any deaths, but until WHO studies how severe the complications caused by the drug were, the medicine remains removed from the guideline.

Tsertsvadze reported to the media that Plaquenil was only used only for treating patients in critical conditions.