

# FactCheck



## Zurab Melikishvili:

“In 2013, we had a shortfall of GEL 703 million in the budget expenditures. Tax revenues decreased by GEL 633 million. This year, already in the first quarter, government receipts revealed a shortfall of GEL 62 million.”

Nutsa TOKHADZE  
FactCheck

**O**n 30 April 2014, representative of the Parliamentary Minority, Zurab Melikishvili, delivered a speech at the session of the Georgian Parliament and stated: “In 2013, we had

a shortfall of GEL 703 million in the budget expenditures. The said GEL 703 million was designated for projects that were to be implemented in different villages but will not be implemented any more. Tax revenues decreased by GEL 633 million. This year, already in the first quarter, government receipts revealed a shortfall of GEL 62 million.”

**FactCheck** inquired about the accuracy of the data indicated by the MP and verified the facts.

First and foremost, it should be clarified that the Budgetary Code of Georgia mentions no such term as a ‘budgetary shortfall.’ The Code employs the term ‘budgetary plan execution/failure of execution.’ In general, the

term ‘budgetary shortfall’ can be used when the budgetary revenues fall short of the projected amount or the expenditures foreseen in the budget have not been fully executed. Accordingly, the meaning of this term in a particular statement depends upon the author of the statement and his personal interpretation of the concept.

TABLE 1: State Budget Expenditures (GEL thousand)

2013	Approved Plan	Revised Plan	Budget Execution	Difference with the Approved Budget	Difference with the Revised Budget	Execution % (when Compared to the Approved Plan)	Execution % (when Compared to the Revised Budget)
Expenditures	7,248,474.40	7,005,579.10	6,545,615.20	-702,859.20	-459,963.90	90.30	93.40

Source: Ministry of Finance of Georgia; mof.ge

**T**able 1 reveals that in line with the approved budgetary plan of 2013, expenditures were to amount to GEL 7,248 million whereas in the revised budget the indicator equalled GEL 7,006 million. The factual budget execution totalled GEL 6,546 million. The factual indices are GEL 703 less than envisaged in the approved plan and GEL 460 million less than the revised budget. Therefore, the comparison of the approved plan with the factual execution reveals a shortfall in the amount of GEL 703 million which proves the number mentioned by the MP to be perfectly accurate.

Spending less funds than foreseen in the budgetary plan can economically be described as a negative factor as the planned expenditures have their own purpose and are designated for the implementation of specific projects and activities. Employment of less financial resources than envisaged in the plan implies that some of the activities planned for the year have not been implemented. However, there are cases when the activities are implemented according to the plan but they use up less resources than originally projected in the budget. At first sight this fact seems to be very favourable as the planned projects were executed with less resources, however, this scenario has cer-

tain negative aspects as well (although outweighed by the positive aspects of the fact). When the implementation of specific operations requires less funds than were expected in the budgetary plan, it is entailed that the expenditures were not projected accurately and the saved funds could have been employed for the execution of other projects (the projects which were urgent in that year and could not have been delayed to the next). Consequently, in any of the above-described scenarios, the failure of the execution of budget expenditures is an unfavourable fact for the economy.

For a better analysis of the state economy in terms of budget execution it is necessary to examine the budget execution indices for the first quarters of 2012, 2013 and 2014. In line with the approved plan of 2012, budget expenditures were to total GEL 6,883 million while the factual execution amounted to GEL 6,566 million. Consequently, the shortfall in the expenditures of the 2012 state budget equalled GEL 317 million. This indicator is clearly less than the shortfall of GEL 703 million recorded in the 2013 budget or GEL 460 million. As for the first quarter of 2014, we witness a shortfall of GEL 316 million in the budget expenditures as opposed to GEL 65 million in the first quarter of 2013. Consequently, it becomes evident that in

2014 we observe negative dynamics relative to the previous year (according to the indices of the first quarters).

As for the tax revenues of 2013, they totalled GEL 6,288 million whereas in 2012 the indicator stood at GEL 6,311 million. The difference between these figures equals GEL 23 million and this number is significantly smaller than the figure indicated by the MP – GEL 633 million. However, it is to be taken into consideration that in this case the MP referred to the failure of execution of the 2013 budgetary plan of tax revenues; that is, the shortfall in tax revenues. In line with the budgetary plan, tax revenues were projected to total GEL 6,920 million while the factual execution amounted to GEL 6,287 million. Consequently, tax revenues revealed a shortfall of GEL 632 million which precisely corresponds to the figure mentioned in the statement.

For a more detailed economic analysis of the subject of tax revenues we will discuss the execution of tax revenues in the first quarters of 2012, 2013 and 2014. In 2012 tax revenues were projected to equal GEL 6,300 million while the budget execution amounted to GEL 6,311 million. Consequently, in 2012 tax revenues exceeded the planned amount by GEL 11 million. According to the plan of the first quarter of 2013, tax revenues were to amount to GEL 1,550 million and the

factual execution equalled GEL 1,553 million. Accordingly, in the first quarter of 2013, tax revenues exceeded that projected figure by GEL 3 million. It follows that in 2012 we witnessed a more favourable situation in terms of tax revenues than in 2013. As for the indices of the first quarter of 2014, tax revenues were forecast to amount to GEL 1,618 million while factual execution totalled GEL 1,639 million. Evidently, in the first quarter of 2014, tax revenues registered a surplus of GEL 21 million which exceeds the same indicators of 2013 and 2012.

In his statement Zurab Melikishvili also discusses the budget shortfall in the first quarter of 2014. The budgetary plan of the first quarter of 2014 projected budget receipts at GEL 2,099 million while in actuality, the receipts of the first quarter totalled GEL 2,038 million. Consequently, in this regard the budget reveals a shortfall of GEL 62 million which also precisely corresponds to the figure indicated by the MP. As for the receipts of the same period of 2013, in the first quarter of the previous year the projected budget prior to revision forecast receipts to amount to GEL 1,982 but the factual execution totalled only GEL 1,795 million. Accordingly, in the first quarter of 2013 we witness a shortfall of GEL 188 million in the budget.

Category: Budget

## CONCLUSION

Our inquiry into the accuracy of Zurab Melikishvili’s statement uncovered that the expenditures of the 2013 budget showed a shortfall of GEL 703 million when compared to the approved budget. Expenditures of the 2012 budget revealed a shortfall of GEL 317 million. As for the first quarter of 2014, we observe a shortfall of GEL 316 million in expenditures while the same indicator of 2013 equals GEL 65 million.

Tax revenues of 2013 were planned to amount to GEL 6,920 million while the factual execution totalled GEL 6,287 million. Consequently, tax revenues register a shortfall of GEL 632 million in 2013. As concerns the indices of the first quarters of 2012, 2013 and 2014, in 2012, tax revenues revealed a surplus in the amount of GEL 11 million, in the same period of 2013 – GEL 11 million and in 2014 – GEL 21 million.

In the first quarter of 2014 the budgetary shortfall (shortfall in the budget receipts) amounted to GEL 62 million while in the first quarter of 2013, the shortfall equalled GEL 188 million.

As can be gathered from the data given above, the MP correctly indicates the indicators. It is also evident that the shortfall registered in the 2013 budget expenditures and tax revenues exceeds the same indicators of the previous years (that is, in 2013 we witnessed a worse situation in this regard than in 2012). As for the budgetary shortfall in the first quarter of 2014 (GEL 62 million), with this indicator we have a more favourable situation than in the preceding year (GEL 188 million).

We conclude that Zurab Melikishvili’s statement: “In 2013 we had a shortfall of GEL 703 million in the budget expenditures. Tax revenues decreased by GEL 633 million. This year, already in the first quarter, government receipts revealed a shortfall of GEL 62 million,” is TRUE.

TRUE

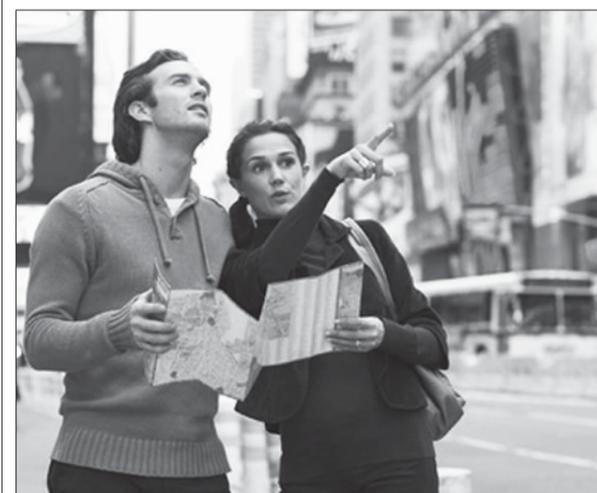


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# Beat the Heat: 176 Million Americans Gearing Up for Summer Getaways



The FINANCIAL

**M**ore Americans will find relief from the heat this summer, with 75% planning a summer getaway (steadily rising from 69% in 2013 and 59% in 2012). In addition, nearly half of travelers plotting a trip to cool off at a beach, river or lake, according to the latest American Express Spending & Saving Tracker. More travelers will stay closer to home, with 70% planning to explore the U.S. this summer (vs. 65% in 2013), while 17% plan a trip overseas (on par with 2013), and a lucky 13% of travelers plan to do both (vs. 15% in 2013). No matter their final destination, travelers will dig a little deeper in their wallets: consumers expect to pay \$1,246 per person, up 9% from last year, according to American Express Company.

With Americans receiving 14 vacation days per year on average, many plan to take advantage of the summer to utilize their time off for extended getaways: 69% are planning at least one full week trip this summer (vs. 66% in 2013) and a lucky 32% say they’ll get away for two weeks or longer (vs. 29% in 2013).

Weekend getaways have also become more popular as 67% report they’ll hit the road at least one weekend (vs. 59% in 2013), with the average summer traveler taking three weekend trips, according to American Express Company. Holiday weekend trips are more common with more than half of summer travelers (54% vs. 45% in 2013) planning to take advantage of holiday weekends to stretch their trips:

Holiday Weekend	2014	2013	2012
Fourth of July	41%	31%	30%
Labor Day	29%	23%	21%
Memorial Day	28%	24%	25%

Family First, and Don’t Forget Fido  
Travelers are bringing along those who matter most for their summer trips, with most Americans planning a getaway with their immediate families (78% vs. 74% in 2013). “Friend-cations” are also up this year; 16% of travelers say they’ll hit the road with a group of friends (vs. 11% in 2013). Not wanting to leave their best friends behind, 51% of summer travelers say they’re likely to bring their pets along for the fun, according to American Express Company.

No matter who they’re with, summer travelers will embrace their sea creature, with two of the top five vacation activities revolving around fun in the water; the top five include:

- Hitting beaches, rivers and lakes (45% vs. 44% in 2013)
- Shopping (41% vs. 37% in 2013)
- Visiting to museums or other cultural activities (32%, on par with 2013)

- Attending family reunions (32% vs. 27% in 2013)
- Visiting a water park (27% vs. 23% in 2013)

Reigning in the Budget by Trading off and Hunting Bargains  
With spending 9% higher this year, more travelers say they’re looking for ways to reduce costs (91% vs. 88% in 2013) or make tradeoffs to afford their trips (60% vs. 57% in 2013), employing a variety of ways to stretch their budgets:

- Drive instead of fly (44% vs. 39% in 2013)
- Stay at a property with a kitchen to enable cooking in (30% vs. 23% in 2013)

- Choose a less expensive destination (28% vs. 23% in 2013)
- Travel outside peak periods (24% vs. 19% in 2013)
- Shorten their trips (33%, on par with 2013)

Travelers are also planning early to help them save: most will plan trips at least a month in advance (64%, on par with 2013). On average, summer travelers expect to visit five websites and spend nearly six hours planning their trips, according to American Express Company.

## Philippine Companies to Explore Manufacturing Opportunities in Georgia—Consul Cunanan

Continued from p. 6

have manufacturing facilities in Africa and in China. Now they are looking at the Caucasus, specifically at Georgia because of its ideal location. The country is very central. Through factories in Georgia, businessmen will be able to export their products to neighbouring countries as well as to Europe. Georgia is naturally placed as a hub, which Philippine companies may use to export to Europe, which would be perfect," he added.

"It is useless if you bring an investor here, set up a factory, and produce things that people will not buy. There is definitely interest from the Philippines in Georgia in the field of manufacturing. Not too long ago, I brought my business partners from the Production and Operations Management Association of the Philippines (PROMAP) to Georgia and we noticed that there is hardly any manufacturing here, especially for fast-moving consumer goods, like soap, toothbrushes, toothpaste, and personal care items. It is all imported from abroad. But it is possible to produce these things in Georgia. Our companies have vast experience in this regard as we have a huge population of 100 million people and a mass market for inexpensive products, which are perfect for people with small incomes," he added.

The Filipino businessmen's activities will start in Georgia through the cooperation agreement which has recently been signed between the self-governing city of Rustavi and the Philippine cities of Santiago and Cauayan. "We admire Rustavi as it is a forward-looking city. It is a very tolerant, multi-ethnic metropolis with tremendous potential as a logistics hub and manufacturing base. Its leadership is very progressive and open to partnering with friends from many kilometers away," he said.

"This is the first agreement between Georgian and Philippine cities and the first such agreement of Georgia with Southeast Asia and it will cover cooperation in science and technology, culture and arts, tourism, environmental protection,

urban planning, education, and public health among others. Part of the city agreement will cover the exchanges in trade and commerce. When the Philippine delegation comes here in November, they will bring businessmen with them. When the Georgian delegation visits the Philippines I hope that they will bring Georgian businessmen as well. At the moment trade is very small between Georgia and the Philippines but we are working very hard to improve this," said Consul Cunanan. "I am also trying to bring Georgian wine to the Philippines. Maybe we will bring some Philippine wine merchants here so that they can learn about Georgian wine and promote these in the Philippines," he added.

Consul Cunanan believes that cooperation between Georgia and the Philippines will be beneficial for both countries. "We are working on the possible cooperation between the Ministry of Environment and the Agency for Protected Areas and the same agency in the Philippines. Under this agreement both sides will exchange ideas and practices about how to manage the environment, how to manage the national parks, and eco-tourism. We are also very aggressive in promoting Georgian culture and I am working closely with the Georgian National Tourism Administration, Georgian National Film Center, and the National Museum of Georgia."

The relations between Georgia and the Philippines started years ago. In 2003, the Philippines – Georgia Business and Friendship Association, which Consul Cunanan founded, started working on bringing Georgian and Philippine businessmen together and promoting socio-cultural exchanges between the two countries.



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## Gigi Tsereteli:

"The prices of drugs have increased by 25%. Drugs are one of the biggest problems of the health care programme as the [Universal Health Care] state programme does not fund the costs for medicines. If we analyse the expenses on health care, we will see that up to 40%-50% are spent on medicines."



Teona ABSANDZE  
FactCheck

On 30 April 2014, at the plenary session of the Parliament of Georgia, Member of the Parliamentary Minority, Mikheil Machavariani, spoke about the inflation problem in the country. According to his statement: "Practically everything got more expensive by 20%-25% in Georgia." Another Member of the United National Movement, Gigi Tsereteli, commented upon the topic and said: "Prices rise. The 25% Machavariani mentioned comes as a part of the drug prices. Drugs are one of the biggest problems of the health care programme as the [Universal Health Care] state programme does not fund the costs for medicines. If we analyse the expenses on health care, we will see that up to 40%-50% are spent on medicines."

While researching the inflation issue, FactCheck first verified Mikheil Machavariani's statement. Based upon the official data of the National Statistics Office of Georgia, the annual inflation rate comprised 3.4% in April 2014 while the monthly inflation rate equalled 3%. Additionally, in 2014 neither the annual nor the monthly inflation rate exceeded 3.5% and it never comprised 20%-25% as asserted by Machavariani.

FactCheck also investigated Gigi Tsereteli's information about the increased

In addition, according to the National Statistics Office of Georgia, as compared to the same period of 2013, the average increase of prices of medicines comprised 5.1% in January-April 2014. As is clear, this indicator does not coincide with the MP's data.

Gigi Tsereteli also discussed the Universal Health Care Programme. FactCh-

prices and accessibility of medicines.

In general, drug prices were the number one topic for discussion for the last week. The former Minister of Labour, Health and Social Affairs of Georgia, Zurab Chiaberashvili, spoke about the obviously increased prices of medicines that were directly connected to an improper implementation of the Universal Health Care Programme. According to Chiaberashvili: "As compared to 2012, the prices of commonly used medicines have increased by 20%." This statement was criticised by the current Minister of Labour, Health and Social Affairs of Georgia, Davit Sergeenko, who proclaimed that: "There is no identified tendency about the significant

increase of drug prices on the Georgian drug market. Furthermore, even the prices of the most expensive medicines have decreased by 60%."

While looking deeper into Gigi Tsereteli's abovementioned statement, we contacted him in order to inquire about the exact period to which he was referring in terms of the 25% increase in the prices of medicines. He explained that he meant the rising prices in the current period and, more precisely, in 2014. Tsereteli also indicated that he relied upon an article dated 29 April published by the business and economic web portal, *bpn*, which reported a 20%-25% increase in drug prices.

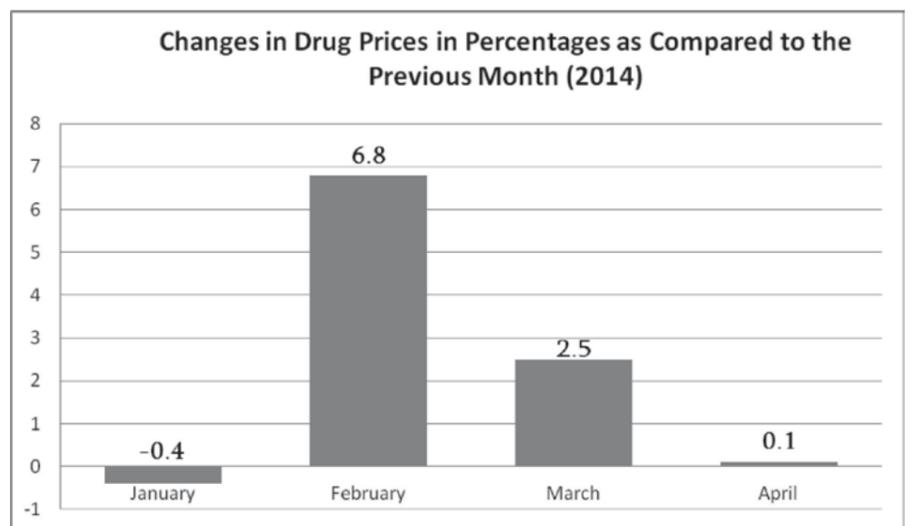
In order to further verify the changes of drug prices, we contacted the National Statis-

tics Office of Georgia with the following questions:

What was the average increase of drug prices in percentages in January, February, March and April 2014 (as compared to the previous months)?

What was the average increase of drug prices in percentages in January-April 2014 as compared to the same period of the previous year?

Based upon the data of the National Statistics Office of Georgia, the following changes were observed in drug prices in January-April 2014: as compared to the previous month, in January the prices of medicines decreased by 0.4%, in February prices increased by 6.8%, in March – by 2.5% and in April – by 0.1%.



eck investigated this topic earlier (follow the link). The Universal Health Care Programme was enacted on 28 February 2013 and targeted all Georgian citizens without insurance policies. The second stage of the programme began from 1 July 2013. The first stage of the Universal Health Care Programme comprised funding for 453 various types of nosology, the service

of a general practitioner and basic laboratory tests. With the start of the second stage, the list of services was augmented by planned surgeries, the treatment of oncological diseases and childbirth expenses. The Universal Health Care Programme funds the usage of medicines only in the case of emergency hospitalisation treatment. Otherwise, the programme does not in-

clude expenses for medicines as was reported by Tsereteli.

In addition, according to the *Health System Performance Assessment Report*, published in January 2013, the costs of medicines comprise almost half of the total health care expenses. Therefore, the MP was right about this part of his statement.

Category: Health Care

## CONCLUSION

As compared to the data of the same period of 2014, in January-April 2014 the average increase in the prices of medicines comprised 5.1% while in January 2014 a decrease of prices by 0.4% was observed if compared to the previous month. In February, the prices went up by 6.8% with the same tendency observed in March (2.5%) and April (0.1%). According to the abovementioned statistical data, the prices of medicines have in fact increased although not by 25%, as stated by Gigi Tsereteli. Therefore, the MP is wrong in these terms.

However, Tsereteli is more or less correct in the second part of his statement about the accessibility of medicines. The Universal Health Care Programme does not in fact include expenses for medicines at this stage. Additionally, the costs of medicines comprise almost half of the total health care expenses.

Therefore, FactCheck concludes that Gigi Tsereteli's statement: "Prices of drugs have increased by 25%. Drugs are one of the biggest problems of the health care programme as the [Universal Health Care] state programme does not fund the costs for medicines. If we analyse the expenses on health care, we will see that up to 40%-50% are spent on medicines," is **HALF TRUE**.

HALF TRUE



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