

# FactCheck



## Shalva Pipia:

“Within the framework of preferential agro-credits, we have already issued 14,100 credits with the total amount of GEL 318,000,000. A total of 70 new enterprises have been funded and over 400 existing enterprises have been expanded and refurbished.”

Veriko SUKHIASHVILI  
FactCheck

**O**n 10 April 2014, representatives of the Ministry of Agriculture and the Agricultural Project Management Agency presented a report summarising the activities implemented within the framework of the Preferential Agro-credit project throughout the year. The event was opened with a speech by the Minister of Agriculture, Shalva Pipia: “It is our accomplishment that within the framework of preferential agro-credit, we have already issued 14,100 credits with the total amount of GEL 318,000,000 in all regions of Georgia and in different fields of agriculture. A total of 70 new enterprises have been funded and over 400 existing enterprises have been expanded and refurbished. Initially, the project envisaged three components whereas today, it includes seven components and covers a very wide spectrum. Therefore, we are continuing the project.” (Source: Banks and Finances)

**FactCheck** inquired about the accuracy of the Minister's statement and studied the implementation of the Preferential Agro-credit project.

The Rural and Agricultural Development Fund, a non-entrepreneurial (non-commercial) legal entity, was established on 22 January 2013 on the initiative of Bidzina Ivanishvili for the purpose of carrying out the Rural Support Programme. Two legal entities of public law became the donors of the Fund; namely, the International Charity Fund for Rural and Agricultural Development and the international charitable Cartu Foundation.

According to the information received from the Ministry of Agriculture, at the sitting held on 26 February 2013, the *gamgeoba* of the Rural and Agricultural Development Fund approved the Preferential Agro-credit project which envisaged the receipt of preferential agro-credits from financial institutions in pursuance of the establishment of new agricultural enterprises and the technological re-equipment of existing enterprises.

The Preferential Agro-credit project, crafted by the Ministry of Agriculture, is being implemented by the Agricultural Project Management Agency which started operating in March of 2013. A total of 13 banks, two micro-financing organisations and two leasing companies are involved in the implementation of the project. Initially, the project comprised three components: 1. interest-free loans for small farmers, 2. preferential agro-credits for medium and large farmers and 3. preferential agro-credits for agricultural

enterprises.

In the course of one year the project was further developed based upon the requests and the needs of farmers and entrepreneurs with further components being added: 4. preferential agro-leasing, 5. preferential agro-credits to wine producing companies, 6. preferential agro-credits for companies exporting and processing citrus and 7. preferential agro-credit to companies which process agricultural products and are funded with a concurring grant.

The website of the Ministry of Agriculture publishes a report summarising the activities implemented within the framework of the Preferential Agro-credit project throughout the year.

In line with the report, as of 4 April 2014, 14,100 preferential agro-credits with the total amount of GEL 318,000,000 have been issued in all regions of Georgia and in different fields of agriculture. Over the span of the year a total of 70 new enterprises have been funded and over 400 existing enterprises have been expanded and refurbished.

In keeping with the same report, the following amounts of credits have been issued in over 30 fields of agriculture: component 1, 4,309 credits (GEL 1,837,478), component 2, 9,258 credits (GEL 168,644,280), component 3, 482 credits (GEL 96,991,211) and component 5, 48 credits (GEL 4,965,810).

A total of 482 agro-credits have been awarded within component 3. Of these, in the Kakheti region – 215, Lower Kartli – 96, Tbilisi – 24, Samegrelo – 27, Inner Kartli – 40, Imereti – 39, Samtskhe-Javakheti – 20, Guria – 5, Mtskheta-Mtianeti – 7, Ajara – 6 and Racha-Lechkhumi – 3.

Component 3 credits have been issued according to the following fields of activity: production of primary goods from cattle-breeding – 240 credits (31% of the total amount of credits), production of alcoholic beverages – 39 (23%), production of primary products from plant-growing – 92 (17%), infrastructural enterprises – 41 (13%), processing of products from plant-growing – 25 (8%), Or processing of products from cattle-breeding – 26 (6%) and mixed production – 19 (3%). In total, GEL 96,991,211 have been issued for activities under component 3.

According to the report, a total of 70 new enterprises have been funded as a part of the project's component 3 with an average of GEL 300,000 worth of preferential agro-credits being granted for the opening of each new enterprise.

According to the regions, new enterprises have been opened in: Kakheti – 26, Lower Kartli – 17, Inner Kartli – 10, Samegrelo – 2,

Samtskhe-Javakheti – 2, Guria – 3, Ajara – 3, Mtskheta-Mtianeti – 2 and Imereti – 5.

By their fields of operation, the enterprises funded within the activities of component 3 can be grouped as follows: refrigerators for the storing of products – 13, swine-herding – 2, green house thrift – 5, vine growing – 3, nut processing – 2, cattle-breeding – 5, fishing – 2, production of packaging material – 1, livestock breeding – 1 and tobacco production – 1.

It is also to be mentioned that **FactCheck** has previously studied the matter of enterprises. At that stage, as of October 2013, funding was provided to 49 new and 155 operating (for the purpose of their development) enterprises in the framework of the Preferential Agro-credit project.

**FactCheck** also tried to get in touch with the owners of the 49 funded enterprises and inquire about the construction of their undertakings. We managed to contact several entrepreneurs as follows.

Individual entrepreneur, Zviad Bikashvili, told **FactCheck** that he holds a storage facility thrift in the Dedoplistskaro district which was given funding of USD 117,000 in April of 2013. Presently, one-third of the work is completed on the construction but the facilities are already being used for storing cereals. The enterprise employs nine people.

Individual entrepreneur, Bondo Rakviashvili, registered in February of 2012 as a vineyard owner in Gurjaani. He found his vineyard damaged by hail last summer and this year he received a preferential agro-credit (of USD 90,000) for the recovery of his hail-damaged grapes.

On 2 May 2013, the Georgian Subtropical Fruit Company was registered in the village of Natanebi in the Ozurgeti district. The company received a loan of USD 235,000 with which it purchased fruit storing refrigerators for the purpose of exporting fruit. Currently, 80% of the enterprise's construction has been completed and its work will start from 15 November (the start of the subtropical fruit season). Overall, 70 people are projected to be employed in the enterprise.

Individual entrepreneur, Davit Beriashvili, was registered in the Public Registry on 5 August 2013. He intends to set up a pig farm in Telavi for which he took a credit of USD 84,700. According to him, the construction is to be completed by the end of December following which four-to-five people will be employed in the enterprise.

The Geo-Fruit Company received a preferential agro-credit (with a value of USD 95,000) on 24 June 2013.

The company plans the cultivation of fruit trees on four hectares of land. The saplings have already been purchased and the company is waiting for the favourable season for planting.

The registry enlists the AgroTech company starting from 14 March 2013. A preferential agro-credit in the amount of USD 185,000 was granted to the company for the building of a modern farm. The company brought 50 cows from Switzerland and purchased up-to-date milking equipment. The farm is already operating and employs a total of ten persons.

The Vaziani Company received a preferential agro-credit of USD 600,000 and constructed a wine-making factory including the purchase of up-to-date equipment. As of November 2013, 40 persons are employed in the factory. The company has been listed in the registry since 27 July 2012.

The Punic Georgia company appears in the registry starting from 16 July 2008. The enterprise received a preferential agro-credit in the amount of USD 600,000 and renovated a poultry raising farm including the purchase of equipment. The company has been operating since 10 September and is

employing 40 persons.

The Facebook page of the Ministry of Agriculture publishes a photograph collage depicting the activities of several enterprises financed as a part of the activities of the Preferential Agro-credit project.

Individual entrepreneur, Givi Ninidze, received funding as a part of the project. He established an apiary thrift in Ozurgeti employing two persons. He was registered as an individual entrepreneur on 2 March 2009.

Individual entrepreneur, Giorgi Iashvili, started up a fishing thrift in the Sighnaghi region using funding he received as a part of the Preferential Agro-credit project. He employs 13 persons and the enterprise was registered on 5 May 2013.

Individual entrepreneur, Valeri Daudishvili, was granted a credit in order to start up a wine-making enterprise which he opened in Gurjaani. The enterprise employs 15 persons and was registered on 26 October 2010.

Individual entrepreneur, Kartlos Shinjikashvili, was registered in the Public Registry on 27 November 2013. He received a preferential agro-credit to start a vine growing enterprise in Gurjaani. He employs ten per-

sons.

Individual entrepreneur, Vakhid Dashdamirov, built a cattle farm with the preferential agro-credit he received. He employs four persons and was registered in the Public Registry on 20 September 2013.

Sartitchala 777 Ltd was registered in the Public Registry on 17 May 2007 following receipt of a preferential agro-credit which enabled the opening of a poultry farm in Lower Kartli. The enterprise employs 12 persons.

Individual entrepreneur, Ramaz Zirakadze, established a greenhouse thrift in Bagdadi, Imereti. The enterprise employs ten persons and was registered on 7 October 2013.

Individual entrepreneur Mamuka Kokrishvili developed sheep-breeding in Sighnaghi using the preferential agro-credit acquired through the project. The enterprise employs ten persons and was registered on 7 October 2013.

The Alaverdi Ltd alcoholic beverages company was registered in the Public Registry on 8 April 2008. The company received an agro-credit for wine-making and built a wine factory. It employs 75 persons.

**Category: Agriculture**

## CONCLUSION

The Preferential Agro-credit project was approved by the Rural and Agricultural Development Fund at the sitting held on 26 February 2013. A total of 70 new enterprises have been funded as a part of the project with an average of GEL 300,000 worth of preferential agro-credits being granted for the opening of each new enterprise.

According to the regions, new enterprises have been opened in: Kakheti – 26, Lower Kartli – 17, Inner Kartli – 10, Samegrelo – 2, Samtskhe-Javakheti – 2, Guria – 3, Ajara – 3, Mtskheta-Mtianeti – 2 and Imereti – 5.

By their fields of operation, the enterprises can be grouped as follows: refrigerators for the storing of products – 13, swine-herding – 2, green house thrift – 5, vine growing – 3, nut processing – 2, cattle-breeding – 5, fishing – 2, production of packaging material – 1, livestock breeding – 1 and tobacco production – 1.

**FactCheck** analysed the list of those 49 enterprises, made public by the Ministry of Agriculture, which were funded as a part of component 3. Of those 49, 17 enterprises are newly-registered (thus, established under the current government). We checked the dates of their establishment in the Public Registry. The rest of the enterprises were registered in the past years, some of them as far back as the 1990s.

**FactCheck** verified the registration dates of the enterprises in the list posted on the official Facebook page of the Agricultural Project Management Agency.

The fact that not all of the abovementioned enterprises are registered after the launching of the Preferential Agro-credit project (earlier than 2012-2013) does not mean that the work performed by these enterprises cannot be considered as a start-up. Specialists do not define a start-up necessarily as a newly-registered enterprise. An enterprise might have existed previously but have taken up new activities with the help of a granted credit. Therefore, an enterprise may have been established years ago but its activities can still be new. All of these enterprises were given funding as a part of the Preferential Agro-credit project and they either renewed their business or took up new activities.

Taking into consideration the findings elaborated above, we conclude that the statement of the Minister of Agriculture, Shalva Pipia, “Within the framework of preferential agro-credits, we have already issued 14,100 credits with the total amount of GEL 318,000,000. A total of 70 new enterprises have been funded and over 400 existing enterprises have been expanded and refurbished,” is **TRUE**.

TRUE



EUROPEAN  
ENDOWMENT FOR DEMOCRACY

G | M | F  
The German Marshall Fund  
of the United States  
STRENGTHENING TRANSATLANTIC COOPERATION

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## Money Transfers from Ukraine Have Dropped, from Turkey on the Rise

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Spain increased by 18% in 2014. USD 11,440.6 thousand has been transferred from Spain, while during the same five months of 2013 the sum totalled USD 9,700.4 thousand. Remittances from Italy amounted to USD 50,009.9 in January-May 2014, up from the USD 43,867.4 of January-May 2013, or 14% growth.

Remittances from Israel increased by 9% in 2014. During the first five months of the current year the figure totalled USD 8,487.7, up from the USD 7,717.7 from January-May 2013.

9% growth has been shown in transfers from Azerbaijan to Georgia. USD 6,254.6 was sent from Azerbaijan in 2014, meanwhile the sum was USD 5,668.6 thousand in 2013.

There was 8% growth of transfers from Kazakhstan to Georgia. The sum totalled USD 5,767.8 thousand in 2014, up from the USD 5,279.9 thousand from the previous year's data.

USD 4,747.8 thousand was transferred from France to Georgia during January-May 2014. The sum exceeded the previous year's volume by 7%.

USD 30,705.2 thousand has been transferred from the U.S. to Georgia in January-May 2014, up from the USD 29,595.5 thousand of 2013, an increase of 4%.

Zolotaya Korona, a Russian payment system that provides cash and cashless payment services, made up the largest part of transfers in May 2014. USD 33,502.8 thousand has been transferred via this payment system. It is followed by Western Union (USD 19,741.4 thousand), Unistream (USD 15,687.2 thousand), Intelepress (USD 15,463.9 thousand) and Money Gram (USD 9,260.5 thousand).

The volume of outflow from Georgia increased by 14% during the first five months of 2014 compared with the same period of 2013. USD 66.4 million was transferred from Georgia during the current year, up from the USD 57.4 million of 2013.

According to the migration policy centre of the European Union 2013 report, looking at destination countries' statistics, 767,489 or 198,904 Georgian migrants resided abroad

in the years around 2012 (table 1), who represent respectively 17.1% or 4.4% of the total population residing in Georgia.

Immigration stocks in Georgia show relatively small flows in comparison to other countries in the CIS region. However, in the past decade flows have steadily increased. Labour immigrants move to Georgia mostly from India, Turkey and China.

Georgian consular statistics found stocks to amount to 405,433 emigrants. Based on the country of citizenship criterion, these statistics likely include a number of irregular migrants - who want to be in a regular position at least with the institutions of their countries of origin - and some second generation migrants. According to these figures, over half of all migrant stocks are in Russia.

Migrants are heavily distributed across the working ages. As for their gender composition, males are much more represented in other former Soviet republics (64.0%), while a more gender-balanced profile is observed in other countries (males make up 49.2%). Georgian migrants tend to be medium-highly educated with 45.3% holding a secondary diploma and 32.8% tertiary education.

Migrants in OECD countries tend however to be higher skilled with the same percentage being at 35.7% and 38.7% compared with those staying in other former Soviet republics (where the same values stand at 53.8% and 27.7%, respectively).

In OECD countries, there are three main occupational shares for Georgian emigrants - professionals (18.4%), service workers and shop and market sales workers (16.4%), and craft and related trades workers (14.8%).

The main motivation to migrate for 78.4% of all emigrants was to improve their current economic situation. Study (6.6%) and asylum (1.1%) were the other motivations of note.

Skills mismatch is a likely trend amongst Georgian stocks, as one in four potential migrants has been found not to have a particular job preference. Instead, gaining employment is their major aim. For example, potential emigrants are willing to accept lowly qualified jobs such as domestic help/care giving.

## Political Crises in Turkey, Ukraine and Russia Continue to Carry Negative Impact for Georgia

Continued from p. 4

ing to be immediate. There could be a stronger impact if there is visa liberalization in the short term but in terms of trade, Georgia already trades with Europe and has good access. Over the medium term the key benefit for Georgia will be more investments, more trade, and it is not only because Georgia has access to the EU markets, it is more because the signing of the AA will give investors credibility about policies in Georgia for the next few years. Investors always like predictability. That is what the AA and DCFTA will give to investors," said Sadikov, IMF.

"The Association Agree-

ment with the EU will primarily serve as a policy anchor, helping the Government to pass certain reforms, as for instance in the labour market or to improve the competition law. This will in turn support investor confidence and medium-term growth prospects," said Forest, Fitch Ratings.

On 12 June Georgia hosted European Commission President Jose Manuel Barroso. Georgian Prime Minister Irakli Garibashvili and Barroso signed EUR 80 million infrastructure projects.

According to Barroso, the EU is preparing a EUR 51 million project that will support Georgia's small and medium-sized businesses to switch to DCFTA standards.



## Nika Melia: "You (Davit Narmania) were unable to use GEL 200 million during your tenure as Minister despite the fact that you spent GEL 140 million GEL. In previous years, up to GEL 700-800 million had been spent on infrastructural projects in the regions."

Lasha SENASHVILI  
FactCheck

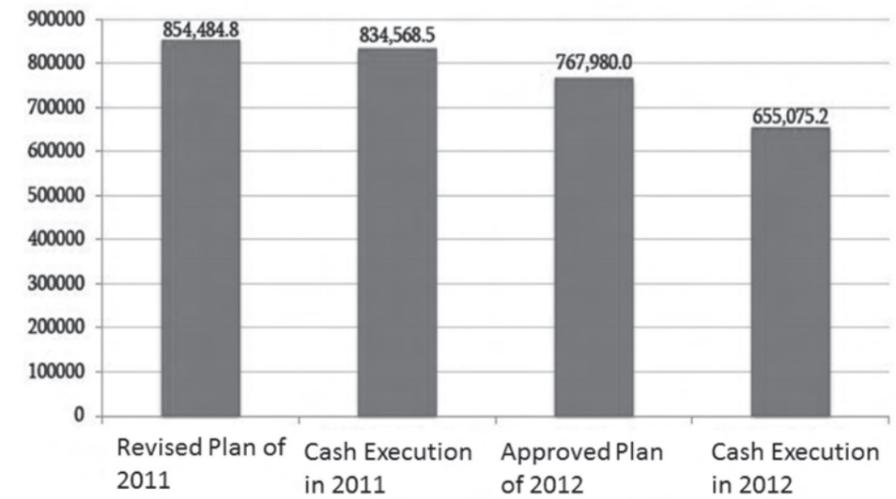
**N**ika Melia, Tbilisi Mayoral candidate, told Davit Narmania that he was unable to use GEL 200 million in 2013 during his tenure as Minister of Regional Development and Infrastructure during the debates held between Tbilisi mayoral candidates on TV3 on 29 May, 2014. Davit Narmania responded that GEL 800 million was spent on infrastructural work during his tenure as Minister which is GEL 140 million more as compared to the work implemented in 2012. According to the statement by Nika Melia, the Ministry of Regional Development and Infrastructure used to spend up to GEL 700-800 million annually on infrastructural projects.

FactCheck took interest in the accuracy of Nika Melia's statement and checked it.

FactCheck was writing about the unused expenses of the Ministry of Regional Development and Infrastructure earlier in 2013. According to the report on the implementation of the state budget ( p.15) published on the website of the Ministry of Finance, the adjusted budget plan of this Ministry in 2013 amounted to GEL 1 003 599, 8 while the cash implementation was equal to GEL 798 595,1 ( GEL 143 519.9 more than in 2012). Accordingly, unused expenses amounted to GEL 205 004, 7. Unused expenses are mainly the result of two programs, in particular:

Unused expenses within the regional and municipal infrastructure rehabilitation project amounted to GEL 94 764.7 GEL which is mainly caused by the fact

Revised Allotments Allocated in 2011 - 2012 and Factual Funding



that the implementation of this project was postponed since the technical documentation presented to the donors by the winner organizations was rejected in the tender announced for the purpose of constructing the Rustavi-Tbilisi highway.

Unused expenses within the recovery and rehabilitation of water supply infrastructure project amounted to GEL 67 261, 9 which was caused in the main by the fact that the signing of the credit agreement with 16 donors within the scope of the water infrastructure recovery project II (EIB, EU) was delayed, several projects were postponed due to some changes in project indicators and work was not implemented on time (behind schedule) due to financial difficulties created in the contractor organisations.

It should be noted that Narmania's Ministry used only 78 % of the allocated budget in 2013 despite the fact that it spent GEL 143 million more as compared to 2012.

FactCheck checked the

second part of Nika Melia's statement where he talked about the cost of infrastructural projects implemented by the Ministry of Regional Development and Infrastructure.

According to the report on the implementation of the state budget, the adjusted budget of the Ministry of Regional Development and Infrastructure in 2012 amounted to GEL 767, 980.0 while the actual performance was GEL 655,075.2 which is GEL 179 493.3 less than the corresponding figure in 2011.

It is possible to look for the plan of the infrastructure projects to be implemented in 2012 as well as the report (p.110-122) of their actual performance (p.40-45) in the report on the implementation of the state budget. It is noteworthy that the Ministry of Regional Development and Infrastructure was able to use 85 % of the adjusted budget in 2012.

The adjusted budget ( p. 94-102) of the Ministry of Regional Development and Infrastructure

in 2011 was equal to GEL 854, 484. 8 while the actual performance was GEL 834,568.5. The Ministry of Regional Development and Infrastructure used 97 % of money allocated for it.

The adjusted budget ( p. 175-185) of the Ministry of Regional Development and Infrastructure in 2010 was equal to GEL 728 220.8 while the actual performance was GEL 716 704.5 which is GEL 38 665.1 more than the corresponding figure in 2009. The Ministry of Regional Development and Infrastructure used 98 % of money allocated for it.

The adjusted budget ( p. 75-79) of the Ministry of Regional Development and Infrastructure in 2009 was equal to GEL 558, 382. 9 while the actual performance was GEL 519, 445. 1. It is noteworthy that the Ministry of Regional Development and Infrastructure was created in 2009 and it used 93 % of the budget allocated for it.

**Category: Self-government elections, Budget, Infrastructure**

### CONCLUSION

FactCheck checked the accuracy of the data indicated by Nika Melia during the debates. According to the information we obtained it is revealed that Melia is telling the truth in the first part of the statement when he talks about the unused GEL 200 million. The Ministry of Regional Development and Infrastructure was not, in fact, able to use GEL 205 004.7 in 2013.

As for the second part of Nika Melia's statement, besides 2009 and 2012, the Ministry of Infrastructure and Regional Development was, in fact, implementing GEL 700 to 800 million worth of infrastructural projects. It should be noted that as compared to the previous years, Davit Narmania's Ministry was able to use the least amount of money in terms of percentage.

FactCheck concludes that Nika Melia's statement is TRUE.

