

FactCheck



Irakli Gharibashvili:

Prime Minister of Georgia

“In 2013, in 39 villages near the occupation dividing line, the problem of irrigation water was solved, up to 20 clinics were built, roads were rehabilitated, students living in this region got funding for their studies, the gasification process began in March 2014...”

Lasha SENASHVILI
FactCheck

On 13 September 2014, the Prime Minister of Georgia Irakli Gharibashvili spoke about the ongoing infrastructural programmes in the villages located along the occupation line. According to the Prime Minister, in 2013, in 39 villages near the occupation dividing line, the problem of irrigation water was solved, up to 20 clinics were built and roads were rehabilitated. Additionally, the studies of 470 students were financed from the budget with GEL 900 thousand having been allocated for this purpose. The Prime Minister also noted that the gasification process began in the villages located along the occupation line in March 2014 with 62 localities to be gasified by the end of the year.

FactCheck has already written about the irrigation system rehabilitation in the villages located along the occupation line. The Saltvisi-Tirifoni irrigation system rehabilitation project was implemented by the Municipal Development Fund of Georgia with the financial support of the United States Agency for International Development (USAID). The cost of the project amounts to GEL 14 million. More than 100 locals were employed during the rehabilitation of the irrigation canal. The Saltvisi and Tirifoni irrigation system's trunk canals follow the so-called border of the occupied territory. The rehabilitated Tirifoni irrigation system will enable the irrigation of up to 8,500 hectares of arable land in 14 villages whilst the reha-

bilitation of the Saltvisi irrigation system estimates serving up to 9,700 hectares of land with irrigation water in 16 villages. In total, the irrigation system was rehabilitated in 39 villages located along the occupation line.

To receive information about the clinics mentioned by the Prime Minister, FactCheck contacted the Ministry of Labour, Health and Social Affairs of Georgia. As of 19 September 2013, construction of 81 new clinics was planned with the decision of the Government of Georgia. The construction began in February 2014. According to the information received from the Ministry of Labour, Health and Social Affairs, as of 18 September 2014, construction work has been completed in 72 of 82 clinics including equipping them with inventory (except in the village of Atotsi in the Shida Kartli region where the inventory process is still in process). The construction work in the remaining ten clinics has been completed although they have not yet started functioning. Clinics have been built in the occupation zone villages as well; namely, in 18 villages of the Gori, Kaspi and Kareli Municipalities.

FactCheck also took interest in the ongoing road rehabilitation work along the occupation line. Since 2013, according to the data of the Highways Department, rehabilitation work has been carried out on a 3.4 km-long section of the Kareli-Kintsvisi Monastery highway. The Igoeti-Lamiskana-Akhmaji 8.9 km-long highway has also been rehabilitated. The rehabilitation of a 0.5 km-long section of the Igoeti-Kaspi-Akhalakali is yet to be finished.

Rehabilitating a total of 12.8 km of roadway was planned in 2013 with over 12.5 km having been completed so far.

According to the information of the Ministry of Education, students residing near the dividing line of the occupied territories and who are enrolled in higher education bachelor's, master's or graduate medical/dentistry accredited educational programmes received funding for their studies in accordance with the 31 December 2013 Directive No. 400 of the Government of Georgia. In the framework of the programme, 471 students residing in the bordering villages of the occupation line were granted state funding. Nearly GEL 900 thousand has been spent for their funding.

FactCheck also took interest in the gasification process in the villages located along the occupation line. According to the information by the Georgian Gas Transportation Company, gasification work is currently ongoing in 58 villages of the Gori, Kareli and Kaspi Municipalities. According to the project, the work is expected to be completed by the end of the year. As of today, gasification work has been fully completed only in two villages of the Kaspi Municipality – Sakorintlo (69 households) and Pantiani (67 households). In the remaining villages most of the work has been completed but the gasification process remains unfinished. It is noteworthy that in the Shavshvebi, Nikozi, Ditsi, Shindi and Mejvriskevi communities of the Gori Municipality, gasification work is still to be launched. Completing the gasification work in the villages located along the occupation line is expected by December 2014.

CONCLUSION

17 clinics were built in the occupation zone whilst there is an ongoing inventory equipping process of the clinic in the village of Atotsi. The Prime Minister is right when speaking about road rehabilitation work. The Prime Minister's statement regarding students is also accurate with the state having indeed funded 471 students (with GEL 900 thousand in total) in 2013-2014. As for gasification, the process is currently being carried out in 58 villages located along the occupation line (and not in 62 as the Prime Minister states). Gasification has not been started in some communities.

FactCheck concludes that Irakli Gharibashvili's statement is TRUE.

TRUE

EUROPEAN COMMISSION
EUROPEAN DEMOCRACY

The German Marshall Fund of the United States
STRENGTHENING TRANSATLANTIC COOPERATION

Kingdom of the Netherlands

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Bank of Georgia Investing in Education to Promote Country's Development



IRAKLI GILAUURI, CEO of Bank of Georgia

The FINANCIAL
By MADONA GASANOVA

Since providing Georgian students with the opportunity to study in the UK, Bank of Georgia has decided to strengthen its U.S.-Georgian educational links. The Bank is now offering the Fulbright Scholarship, which is the U.S. Government's premier scholarship programme. The Fulbright Program supports the study of a Master's degree programme at a U.S. university in all disciplines, including business administration. The Bank will sponsor two students' studies in the United States starting in the autumn of 2015.

Bank of Georgia is the first private company in Georgia to have launched a partnership with the U.S. Embassy in Georgia in order to offer the Fulbright Program for two more candidates.

The Fulbright Graduate Student Program supports study in a Master's degree programme at a U.S. university in all disciplines—including business administration. The Fulbright Scholarship is one of the most prestigious scholarships offered by the U.S. Government. The recruitment of candidates for the Fulbright Graduate Student Program is based on an open competition conducted

by the Public Affairs Section at the U.S. Embassy in Tbilisi.

The Fulbright Program yields some of the greatest peace dividends. Among its alumni are 29 former heads of state or government, 53 Nobel Prize winners, and 80 Pulitzer Prize winners from all regions of the world.

“Fulbright is the U.S. Government's premier scholarship programme. We provide a number of scholarship programmes at the undergraduate level, at graduate level, as well as for Master's degree programmes. The U.S. and Georgian governments together support six candidates. Thanks to Bank of Georgia now an additional two students will be able to study at graduate level in the United States at premier U.S. universities, without having to pay for tuition themselves. We see this as part of our joint investment in education in Georgia and Georgia's economic development and future,” said Richard Norland, U.S. Ambassador to Georgia.

“Education is key for the success and economic development of Georgia,” said Norland.

“I am optimistic that other companies will also follow the initiative of the Bank,” he added.

“In cooperation with Georgia people have identified a strong interest in studies

and the fields of science and technology, engineering and maths. These are the areas that are going to get the most attention both through our MCC programme and some of the Fulbright graduate level programme,” Norland told The FINANCIAL.

Bank of Georgia annually invests over GEL 0.5 million in education. Recently the Bank has supported two scholars through the UK-based Georgia Chevening Programme.

“Education abroad is a huge opportunity for Georgian students to participate in the process of globalization and develop new vision,” said Irakli Gilauri, CEO of Bank of Georgia.

“The support of education is an important priority for the Bank. We have implemented a number of activities in regard to this. By offering scholarships in Georgia or abroad we aim to offer the best education to more people,” said Gilauri.



EBRD to Finance Consultancy Services to SMEs Aiming to Develop “Produce in Georgia”

The FINANCIAL

EBRD is supporting State Agency EDA, the main facilitator of the Produce in Georgia programme, by providing technical advice to local small- and medium-sized enterprises (SMEs) to promote competitiveness, stimulate entrepreneurship, as well as encourage innovation and the implementation of new technologies.

The EBRD will, under this initiative, work to strengthen SMEs across a wide range of sectors and improve their capacity for

innovation, competitiveness and their ability to attract external investments, while striving to develop a sustainable infrastructure of business advisory services in the country. The EBRD will also help individual enterprises to engage with local consultants on well-defined, short-term advisory projects. The EBRD will carry out a range of activities to develop and strengthen the local advisory services market such as training for local consultants and SMEs and capacity building.

The EBRD's advisory activities, which are cur-

rently funded by the European Union, have included more than 800 advisory projects in Georgia over the past decade, helping small businesses address questions of strategy, operations, marketing, quality management, energy efficiency and beyond. Almost 84 per cent of these businesses have seen increases in turnover within a year of the project's completion, while 72 per cent increased productivity. These projects helped create 2,668 jobs in 2011-13, as 66 per cent of the enterprises increased their number of employees.

KDPW Group Brings New Offers to Build Modern Post-Transaction Infrastructure in Poland

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seen as an attractive destination for other countries in the region and how the Polish market leads over other European and global markets?

A. In regard to the transportation, the possibility of accommodation, or setting up an investment firm in Poland - all of this is good and safe here. Poland is a real "safe haven" in the region for many reasons. There is no corruption here and GDP growth is at a pretty nice and high level I would say. Gross domestic product exceeded EUR 382 bin and became the largest economy in Central and Eastern Europe and the eighth largest measured by GDP in the European Union.

Poland can develop organically. When you build a kind of economy of scale this is also interesting for foreign investors and foreign issuers. They made their choice for markets which are dynamic. They do not only have international investors because when you have two higher level of international investors in comparison to local ones - pension funds, investment funds and individuals - it is dangerous because in times of crisis this is the first group of investors to take their money and leave. That is why a pretty good proportion of local and foreign investors are also a positive for the market.

Poland has become a leader in the region. For several years the Stock Exchange in Warsaw has been responsible for about 60 percent of equity trading in the region. So, the majority of the trading on equities in the region belongs to Warsaw. Warsaw is named fifth market in identifying the markets of

the future.

The region is small, we have different currencies, different national banks, and still different regulations concerning securities. There is a harmonization because of the European Union, but there are some barriers at the same time. Poland is the biggest country in this part of Europe and we do not have any big failings or problems. So if you are interested in the region Poland is the best place to come to.

We also want to attract companies from the region, because if you would like to do business in Poland and you are from other countries from the region this is the best means of promotion, to be listed on the local stock exchange. Your clients, your customers then have better visibility of the company. For example there is a very famous company from Bulgaria called Sopharma, a pharmaceutical company; you have some banks from the region and companies from the production sector, which is good!

Q. As far as I know, WSE is going to increase competition with the EU stock exchanges. What is your aim and how are you going to compete with other markets?

A. We will have to compete! Because of that harmonization, because on the regulatory level every country will have almost the same conditions. There are some initiatives that the future will bring the responsibilities of the local infrastructure to the one Pan-European platform. The European Central Bank has an initiative to move the settlement in Europe to a common platform by 2017-2018. Now we are just monitoring this initiative, be-

cause mostly our settlement is trades in Polish Zloties. That is why it is not worth that money to connect in a platform that we have just 2 percent transactions settled in Euros. But of course we would like to be ready for the date when our government will announce that we will go with Euro as a currency to be ready to easily join the system. So there are some problems we will face in the future. But being prepared and thinking about our own solutions will be maybe a little bit cheaper than from Pan-European or global institutions and also having the capital loyalty of our local participants is very important for having a safer future.

Q. The WSE is going to be developed as a modern capital market. What does it mean to be "modern"?

A. To have a modern capital market means to have modern infrastructure and technologies. The full range of services that WSE offers should be modern in comparison to other countries. Having a pretty good country and offering complementary services in the field of trading and post trading as well is a simple way to become a modern market. This is modern - to have everything on the local market and offer all range of services.

But when thinking about being a hub of the region there is another issue. We have to develop a friendly environment for foreign investors; to develop new offices to rent and to let; we have to invest in infrastructure - not only trading and post trading infrastructure but I am talking about highways, railways, hotels, the places where people work and spend their time.

Q. What are the achievements of Poland that other markets including Georgia can pattern themselves on and draw inspiration from?

A. Good regulations on the market are the strongest base. The second thing is to educate the population. When you earn money, put some amount aside for investment - so that you can create something for your country and for you as well as get a profit. And the third thing is to create very safe and reliable infrastructure - if you invest your money it is your choice where you invest, but the infrastructure must be absolutely safe.



Zurab Japaridze: "The amount of cargo transported by Georgian Railway has been decreasing for the last two years."

Giorgi NASRASHVILI
FactCheck

On 12 September 2014, member of the United National Movement, Zurab Japaridze, organised a media briefing about the situation at Georgian Railway. Mr Japaridze stated: "There is a decrease in the cargo transported by Georgian Railway and this has become a trend for the last two years. The total amount of transported cargo from January to July of this year is 771,000 tonnes less than that of the same period of 2013 and 2,200,000 tonnes less than the initial plan of 2014. According to current forecasts, Georgian Railway is back to the levels of 2009 (the year following the war) by the amount of transported cargo. Georgian Railway's statement that the income in GEL has increased is just a manipulation with the currencies and is an attempt to mislead the public. In reality, the income in the basic currency, USD, has significantly decreased along with the value of the company itself."

FactCheck took interest in the MP's statement and verified its accuracy.

According to Georgian Railway's data, the amount of transported cargo in the first eight months of 2014 has, in-

deed, decreased as compared to the same period of the previous year. The amount of transported cargo in the first seven months of 2014 decreased by 771,125 tonnes as compared to the same period of 2013 whilst the difference amounted to 900,473 tonnes in the first eight months of 2014. In addition, according to Georgian Railway's initial plan of 2014, 11,705,321 tonnes of cargo was to have been transported from January to July 2014 and the latest data show that the difference from the plan amounts to 2,208,710 tonnes.

The chart below depicts the dynamics of the cargo transported by Georgian Railway from 2008 to 2013.

According to the forecasts of Georgian Railway, the amount of transported cargo will reach 17,305,648 tonnes by the end of 2014 which is slightly more than in 2009.

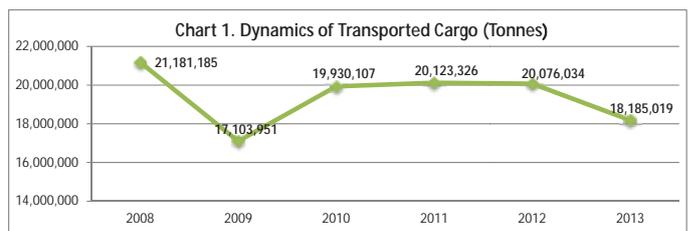
As for the financial condition of Georgian Railway, according to the operational data of the first eight months of 2014, the income of the company reached its historic maximum, GEL 335 million, which is 9.9% (GEL 28.6 million) more than the income of the same period of the previous year. The income for cargo transportation increased by 6.9% (GEL 16.3 million) and amounted to GEL 251 million which was due to a significant

increase in dry cargo and petroleum products transportation. The income from other transportation amounted to GEL 70.6 million which is 18.7% more than it was in the same period of 2013.

According to the 2014 half interim financial position statement of Georgian Railway, the untaxed earnings of the company decreased from GEL 48.448 million (of the same period of 2013) to GEL 36.987 million (23.6%) as of 30 June 2014. However, the income of Georgian Railway grew by GEL 15 million and amounted to GEL 229.8 million.

According to the data of the first six months of 2014, the income of Georgian Railway grew by USD 932,000 as compared to the same period of 2013; however, it is USD 5,882,000 less than in the first half of 2012. Even though the company's income of the first six months was USD 6.8 million less than in the same period of 2012, it was USD 1,559,000 more by the end of 2013 than in 2012.

As for the value of the assets of Georgian Railway, it has increased by GEL 40,557 in the first six months of 2014. However, if we convert this amount into USD it becomes clear that the total value of the company's assets decreased by USD 53,082 in the first six months of 2014 as compared to the same period of 2013.



CONCLUSION

According to Georgian Railway, the amount of transported cargo decreased in the first eight months of 2014 as compared to the same period of the previous year. They also say that the trend of a decrease in cargo was recorded in 2013 as well.

As for the company's income in USD, it grew by USD 932,000 as compared to the same period of 2013; however, it is USD 5,882,000 less than in the first half of 2012. The income of the first six months of 2014 is already USD 1 million more than that of the previous year. Hence, the part of Mr Japaridze's statement where he talks about a significant reduction in the USD incomes of Georgian Railway is inaccurate.

The total value of the assets of Georgian Railway increased by GEL 40,557 in the first six months of 2014. However, if we convert this amount into USD it becomes clear that the total value of the company's assets decreased by USD 53,082 in the first six months of 2014 as compared to the same period of 2013.

FactCheck concludes that Zurab Japaridze's statement is **MOSTLY TRUE**.

MOSTLY TRUE

Kingdom of the Netherlands

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