

# FactCheck



## Minister of Agriculture:

“More than 600 tonnes of grapes have been harvested in Racha as of today. The profit for the population has reached GEL 5 million.”

Veriko SUKHIASHVILI  
FactCheck

The Minister of Agriculture of Georgia, Otar Danelia, along with the Head of the National Wine Agency of Georgia and the Governor of the Racha Region, visited the Coordination Headquarters during the grape harvesting period in Racha. The Minister stated: “More than 600 tonnes of grapes have been harvested in Racha as of today (11 October 2014). The profit for the population has reached GEL 5 million. About 100-150 tonnes of grapes are still to be harvested.”

FactCheck took interest in the progress of the grape harvest in Racha and verified the accuracy of Mr Danelia's statement.

The statistics of the Georgian grape harvest for 2014, including Racha, can be found on the official website of the National Wine Agency of Georgia.

According to the data of the National Wine Agency, a to-

tal of 873.1 tonnes of grapes for Khvanchkara wine (Aleksandrouli and Mujuretuli grape varieties) with a total value of GEL 6,984,800 have been harvested in Racha as of 17 October 2014. A total of 927 tonnes of other varieties of grapes with the value of GEL 7,055,842 have also been harvested. According to these data, the overall amount of the grape harvest equalled 1,800 tonnes in Racha as of 17 October 2014 with the profit for the population reaching GEL 14,040,642.

A total of 1,993 tonnes of grapes were harvested in Racha in 2013 the profit for the population amounting to GEL 14,445,378, of which the Aleksandrouli and Mujuretuli varieties constituted 996.1 tonnes (GEL 7,968,800) whilst the other varieties equalled 997 tonnes (GEL 6,476,578).

Table 1: Total Value of Grapes Harvested in Racha in 2013 and 2014

We interviewed Senior Specialist of the National Wine Agency of Georgia, Petre Meskhidze, about the grape harvest in Racha. Ac-

ording to him, the grape harvest in Racha is nearing its end. Part of the harvest this year has been damaged due to high temperatures and hailstorms and the grapes have lost the quality necessary for processing. Hence, presumably, fewer grapes will be harvested this year as compared to the previous year. However, the statistics of the Racha grape harvest 2014 are not final and are being updated upon a daily basis. As for the value, the record price of 2013, GEL 8 per kilo, has been maintained in 2014 as well as the demand for Aleksandrouli and Mujuretuli varieties remaining very high. Based upon this fact, the state has stopped subsidising these varieties since 2010. According to Mr Meskhidze, 14 companies are buying grapes in Racha at this stage.

The National Wine Agency also confirmed that a total of 600 tonnes of Aleksandrouli and Mujuretuli had been harvested by 11 October 2014 and that the profit for the population had reached GEL 5 million by that time.

	Khvanchkara	Sum	Other	Sum	Total	Sum
2014	873.1 tonnes	GEL 6,984,800	927 tonnes	GEL 7,055,842	1,800 tonnes	GEL 14,040,642
2013	996.1 tonnes	GEL 7,968,800	997 tonnes	GEL 6,476,578	1,993 tonnes	GEL 14,445,378

## CONCLUSION

According to the data of 17 October 2014, a total of 1,800 tonnes of grapes have been harvested in Racha with 873 tonnes comprising the grapes for Khvanchkara winemaking (Aleksandrouli and Mujuretuli grape varieties). The profit for the population was over GEL 14 million with GEL 7 million having been received for Khvanchkara winemaking. Based upon the statistics of the National Wine Agency of Georgia and the interview with the Senior Specialist of the same Agency, we conclude that the statement of the Minister of Agriculture of Georgia, Otar Danelia: “More than 600 tonnes of grapes have been harvested in Racha as of today. The profit for the population has reached GEL 5 million,” is TRUE.

TRUE



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## Georgian Leasing Company Offering Mercedes-Benz from EUR 287 a Month

The FINANCIAL  
By MADONA GASANOVA

Georgian Leasing Company together with Mercedes-Benz Georgia has issued an attractive leasing offer for individual and corporate clients. The maximum duration of the lease is up to 72 months. Contributions by customers start from 10%. In the event of choosing a contribution of 30%, the monthly payment will amount to EUR 287.

Through its newly-launched offer, GLC has made the bestselling auto brand in Georgia - Mercedes-Benz - more available to customers.

Georgian Leasing Company (GLC) is an affiliate company of Bank of Georgia. The company has over 15 years of experience in leasing. One of the most important objectives of GLC is to stimulate healthy competition within the lending markets which will result in lower interest rates that will eventually foster the development of small business.

Leasing gives clients the opportunity to purchase assets without capital expenditures and preserve credit lines for other purposes. This tends to ex-

pand clients' available lines of credit for future growth. GLC offers its clients payment flexibility. Lease payments can be structured to match asset use and cash flow needs. Payments can be monthly, quarterly, semi-annual, or annual. Skipped and step-up payments are also available. Together with auto leasing, GLC offers financial, express, real estate and other types of leasing products.

Auto leasing - Your New Mercedes - allows customers to use the so-called "trade-in" system. Consumers can lease a brand new model of Mercedes-Benz from its Georgian office. Car-owners are also permitted to return that exact model and change it for a new one over time. In addition, customers are able to redeem it for the feasibility of permanent use.

This is the first time that Georgian consumers have been offered the chance to purchase a Mercedes with a minimum leasing payment and only 10% participation. The monthly leasing payment also includes: registration, legal, insurance and other fees. In addition, during the period of the car's usage, once every six months, car-owners will be allowed to get diagnostics of the vehicle done free of charge.

The maximum term of the auto leasing - Your New Mercedes - is 72 months. The customer has the possibility to reduce the monthly lease payment by increasing its contribution. For example, if the user selects a 30% contribution, the monthly leasing fee of 72 months will be EUR 287.

At the Tbilisi office of Mercedes-Benz Georgia consumers can select/order the desired model and GLC will make a leasing deal without extra procedures.

Mercedes-Benz is one of the most popular brands of car among Georgians. Prices per vehicle vary from EUR 25,000 to EUR 78,900.

During the first nine months of 2014 realization at AKA Mercedes-Benz Georgia reached 107 units. The current year has brought 29% sales growth for the company, in comparison with the same period of the previous year.



# Shrinking Remittances from Russia, Ukraine and the UK

Continued from p. 10

from Greece this year; the sum was USD 161,529,000 in the same period of the previous year. Inflow from Italy amounted to USD 101,340,600, which is over USD 10 million more than in 2013. The volume of transfers from the USA totalled USD 66,493,500, up from the USD 61,449,500 in January-October 2013.

The International Centre for Migration Policy Development (ICMPD) has studied Georgian migrants. According to the information collected, authors have drawn a profile of the typical Georgian migrant in Greece. However, it does not reflect all possible features of Georgian migrants in Greece. "The typical Georgian migrant in Greece is a woman aged 35 or above, has received higher education (usually, pedagogical or medical), is working in domestic service and is sending money

back to Georgia to support her family. Although she planned to come to Greece for a very limited time only, to earn some money for her children's education, for example, she stayed longer or prolonged her stay as after years spent abroad she does not expect to get a job back in Georgia which could provide her and her family with decent living conditions," the report noted.

USD 51,947,300 has been transferred from Turkey this year, while the same figure totalled USD 33,532,100 in 2013. Money transfers from Spain increased by over USD 3 million during the current period and reached USD 23,116,800. Inflow from Germany amounted to USD 19,530,100 or USD 5 million more. USD 18,952,500 has been transferred from Israel this year, up from USD 16,354,800. Money transfers from Azerbaijan increased by over USD 3 million in 2014 and amounted to USD 14,091,900. USD 14,064,400

has been transferred from Kazakhstan this year. The sum was USD 12,642,000 during the first ten months of 2013.

Together with the Russian Federation and Ukraine, remittances inflow to Georgia has slumped from the UK as well. Money transfers from the UK amounted to USD 12,583,600 in 2014, down from the USD 15,588,400 from January-October of 2013.

There are over 1 million Georgians residing abroad. The data is less than accurate as many of them are living illegally.



# The Potential of the Georgian Telecommunications Industry

Continued from p. 6

China, Abashidze met with the Chinese delegation. "We discussed a data exchange system, so-called transit. It strives to connect the infrastructure of four poles together. There are over 10 world-leading companies that are interested in carrying their connecting infrastructural lines through Georgia. Georgia is one of the shortest ways to connect Asia to Europe," he said.

"In general, our geographical location is one of our main advantages. So, we need to use this advantage and make Georgia a telecommunications hub," Abashidze added.

From spring 2015 Georgian telecommunication companies will switch to the 4G system. GNCC has bid on a 800<sup>th</sup> frequency score at auction. It is used for the implementation of 4G so-called LTE technologies. Those operators that already have relevant frequencies, like Magticom and Geocell, are not required to purchase a new license. They will just modify their resources.

An LTE network is quite expensive, varying from GEL 200-250 million. The cost of the license will be an additional cost for companies.

"The world is facing a new stage of development that comes around once every decade. Currently this stage is about the implementation of 4G services and technologies. This trend has been a bit delayed in Georgia. The absence of a legal and regulation basis as well as internal problems within the country are what have contributed to this delay," Abashidze explained.

"The development in telecommunications is going much faster, to make sure that customers consume more. Now people want 4G on their mobiles. That means that they want to see live

television. However, the cost should be reasonable. People will not be able to pay too much money for that. Those two worlds should come together. We are trying to bring down the prices so that this can be delivered to customers. There is a problem in the fact that the life expectancy of technologies is getting shorter and shorter. For instance, we had GSM, then 2G, 3G and now we are getting 4G. All those technologies have not had enough time to recoup the investments. For example, in 3G you need another 5 years of life to make sure that all the investments are paid back. So that means that there is a new need also in telecom regarding financing. The telephone cost itself cannot finance all those new technologies continuously. So they have to look for external sources, investors, who will help them to do that. This is the new world. I am also very interested in that part, bringing finance to telecommunications together," said Lettinga, Azertelecom.

Like Lettinga, Hartmann also agrees that against a background of required investments, the recoup in the telecommunications sector is becoming lower.

"In the West we hear a lot about how wireless connections, the internet, should be for free. As we know, nothing on this planet is for free. Currently every company is fighting for little margins. In such countries as Georgia or South Africa there are still some possibilities for making margins. I find it hard to predict how this trend will end up in Europe. For telecommunications, as a carrier today, you have to carry content. It is not a network anymore. Internet calls should be for free. Companies still earn money from roaming. However the EU is now working on reducing the amount for roaming. So, how should investors earn money?

People are investing a lot of money in modern technologies, which is changing. Not long ago everybody was proud to run 3G. Now, everybody has switched to 4G. When we talk about free internet and phone connections, this is the biggest challenge," said Hartmann.

On its side Hartmann said that as the free product is never of high quality, consumers face a dilemma between price and quality. "From my own experience I would say that free connections with my partners are not a good option for me, especially when we talk about business negotiations. We need to pay for quality. There is no option for that. Even in the U.S. where the phone services are for free, the quality is very bad. You have to dial several times in order to get connected. For me this is unacceptable. I would rather spend one extra Euro but waste less time and be able to manage any issues better. Everybody goes to the mass market, where everything should be free. Meanwhile there is small demand for quality. In Germany there are only three telecommunication companies left. How can one compete? Customers do not have the option of choice. It is the same in the USA, where there are only four operators. The big companies eat up the smaller ones. So, for those who can afford to spend an extra Euro, quality is the advantage," Hartmann told THE FINANCIAL.



# Giorgi Kvirikashvili:

"We have made a significant progress in different fields of the economy this year: the economy is growing, trade has grown by 12% and we have a noticeable growth in exports for the first time in recent years."

Mariam CHACHUA  
FactCheck

On 30 September 2014, Giorgi Kvirikashvili talked about the positive changes in the economy. He focused upon the 12% growth in foreign trade and also referred to a high level of growth in exports in the current year.

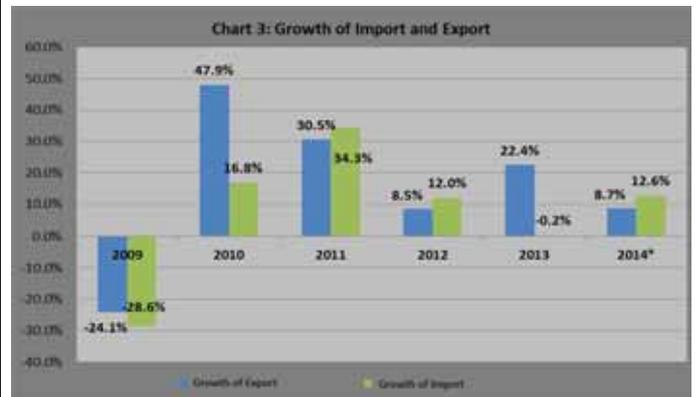
According to the data of the National Statistics Office of Georgia, the real growth of GDP amounted to 6.1% in the first eight months of 2014. It equalled 7.2% in the first quarter of the year and 5.2% in the second quarter. It should be pointed out, however, that these figures are not very high

as the real growth of GDP in the first two quarters of 2011 amounted to 6.6% and 8.2%, respectively. In addition, it should also be noted that the economic growth of Georgia has varied from 6%-7% in recent years. Only in 2013 did it fall to 3.2%. According to the economic forecasts, the growth rate of the Georgian economy for 2014 is set at 5%. However, 2014 would not be the first year when the actual growth of the economy exceeded the forecasts.

As for the foreign trade, the trade turnout from January to August 2014 was 11.6% higher than those of the previous years and amounted to USD 7,411 million. The trade balance of Georgia is still negative in the first eight months

of 2014 and amounts to USD 3,583 million which is 14.8% higher than that of the same period of the previous year.

Export amounted to USD 1,914 million in 2014 which constitutes 25.8% of the foreign trade. The export equalled USD 1,760 million in the same period of 2013 and constituted 27% of the total foreign trade. According to the data of the first eight months of 2014, export has increased by 8.7% as compared to the same period of the previous year. It should be pointed out, however, that this is definitely not the highest growth as the growth in export amounted to 13.6% in the same period of 2013 whilst in 2010 and 2011 the figures varied between 36% and 38%.



Source: National Statistics Office of Georgia

## CONCLUSION

According to the data of the first eight months of 2014, the real growth of GDP is 6.1%. It amounted to 7.2% in the first quarter of the year and 5.2% in the second. These, however, are not very high figures as the quarterly growth of GDP varied from 6% to 8% in recent years. It should also be pointed out that the GDP real growth varied from 6% to 7% in recent years whilst the economic forecasts set this year's growth at 5%. The foreign trade turnout of Georgia amounted to USD 7,411 million this year which is 11.5% higher than that of the previous year. The growth of export equalled 8.8% and constituted 25.8% of the total foreign trade. It amounted to 13.6% in 2013. Even though positive economic changes are indeed taking place this year, it should be pointed out that these are not record figures as Georgia has seen higher economic growth in recent years (with the exception of 2013). Hence, Giorgi Kvirikashvili's statement: "We have made a significant progress in different fields of the economy this year: the economy is growing, trade has grown by 12% and we have a noticeable growth in exports for the first time in recent years," is **HALF TRUE**.

**HALF TRUE**

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