

FactCheck



Nodar Khaduri:

Minister of Finance of Georgia

“The implementation of infrastructural projects decelerated in the first half of the year. This process accelerated to a great extent in the second half of the year (including the receipt of grants). I do not see anything alarming in it (budget execution).”

Nata SICHINAVA
FactCheck

On 21 October, whilst speaking about the 2014 state budget's three-quarter completion rate, the Minister of Finance of Georgia, Nodar Khaduri, noted that the situation concerning the budget's completion had improved. He also added that the implementation process of infrastructural projects decelerated in the first half of the year but accelerated to a great extent in the second half.

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

The six-month budget of 2014 was completed by 96.9% in the receipts budget line and by 90.8% in the taxes budget line. A low withdrawal rate of grants (completed by 47%) and foreign funding (completed by 53%) can explain a lagging behind in the receipts plan.

Completion of the expenditures by 90.8% was caused by the 76.6% completion rate of the infrastructural projects

plan. Therefore, the Minister is correct when stating that the implementation of infrastructural projects decelerated. None of the other budget lines was completed by 100%.

The infrastructural project plan was completed by 128% in the third quarter with the actual rate reaching GEL 158 million instead of the planned GEL 132 million. Overall, the expenditures plan was completed by 101.7%. Attracting grants worth GEL 23.6 million was planned for the third quarter with GEL 79 million having been attracted which surpassed the plan by 3.3 times. The tax revenue plan was completed by 101.7%.

As the data above show, the planned budgetary rate is being completed in the third quarter but it is interesting to see to what extent the nine-month budget was completed and what the situation is in this regard.

As of September 2014, the infrastructural projects funding plan was completed by 72%, lagging behind the planned expenditures by GEL 158 million. Overall, the expenditures were completed by 91.6% and GEL 565 mil-

lion less than the planned amount were spent. Besides the infrastructural projects, a low completion rate has been recorded in the following budget lines: products and service – 89.6%, growth of financial assets – 75.2% and other expenditures (with the major share of infrastructural project expenditures) – 81.4%.

As for the receipts, there is a significant progress in the nine-month completion rate as compared to the six-month completion. The completion rate has increased from 96.9% to 99.5% which is mainly due to the completion of the tax revenue nine-month plan by 102.7%. Due to the notable increase in attracting grants, the nine-month plan was completed by 101.9%. The foreign liabilities growth budget line has increased by 82.6% (the lag is GEL 110 million). It includes borrowing from abroad and is tied to infrastructural projects. As the infrastructural projects are being implemented at a slower pace, the government is not able to fully withdraw the assigned foreign funding.

CONCLUSION

We can conclude that the completion rate of the infrastructural projects has improved in the second half of the year (in the third quarter) but the nine-month completion rate still lags behind the plan by 28.2%.

The government only attracted 47% of the planned amount of grants (GEL 47 million) in the first half of 2014. The condition has improved in the second half of the year: the state attracted grants amounting to GEL 79 million instead of the planned GEL 23 million.

Despite the increased budget completion rate in the third quarter, the lag in the expenditures budget line is still significant and amounts to GEL 565 million which is an important amount and withdrawing it before the end of the year is less likely which means that the budget will not be completed. The Minister does not consider this gap important but taking into account that the budget is not being completed for already two years in a row and the shortage is significant, this indicates that a problem exists. The government cannot fully use the existing resources and all the more so in such an important direction as infrastructure development.

We conclude that Nodar Khaduri's statement: “The implementation of infrastructural projects decelerated in the first half of the year. This process accelerated to a great extent in the second half of the year (including the receipt of grants). I do not see anything alarming in it (budget execution). The tax plan has been completed by nearly 102%,” is **HALF TRUE**.

HALF TRUE



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Brits top spenders on gifts this Christmas



The FINANCIAL

Turkey.

Of those with a clear idea of what they are likely to spend this Christmas, Brits had the highest aspirations, according to the survey on Christmas spending behavior and New Year's resolutions conducted by ING across 13 countries and among almost 13,000 respondents across Europe and

However, the survey also shows that, when looking at proportion of average income, consumers in Romania then jump to the top spot – while the amount they plan to spend may be a more modest €110, this in fact equates to one third (33%) of the average net monthly salary. In these terms, the Czech Republic (24%) and UK (17%) follow. The occurrence of big-spender-Brits and Romanians

is in fact not the first – last year more consumers in these countries found themselves in debt after Christmas than anywhere else in Europe (14% and 20% versus a European average of 9%).

Money is the hot topic for 2015 resolutions. However, despite the good intentions in January, only 54% of European consumers who had a financial New Year resolution in 2014 say they kept it, according to ING.

Technology Tops the List of Most Trusted Industries in Georgia

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consumers. A lack of adequate literacy is also a problem with bank employees. It is reflected in the improper estimation of clients' risks. Contracts that are too difficult to understand present a problem. This irritates the population. In addition, consumers' attitudes towards commercial banks are also a problem. People often find it difficult to understand that commercial banks are profit-oriented and also have their own interests," said Tokhadze.

Tokhadze believes that the

less trusted industries can still restore consumers' faith in them. "In terms of this they have to increase the quality of service and products they offer. Consumers as well as the representatives of industries should take into account each other's interests and circumstances. Finally, the most important thing is to find a middle ground, where the maximization of an industry's profitability will still be based on consumer interests," Tokhadze told The FINANCIAL.

In September 2012 The FINANCIAL conducted a survey to reveal the most and least

trusted professions in Georgia. According to its results at the time, politicians were the least trusted professionals in Georgia in contrast to doctors who held the majority of people's trust.



The FINANCIAL is read by nearly 75% of Top Financial Decision-makers in Georgia.

It reaches more CEO's than all Georgian newspapers combined.

Source: Global Idea

GEL 20 Million Needed to Reduce Child Poverty in Georgia, UNICEF

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specific provisions to protect children who are victims of violence. New terms, such as neglect and coercion, have been added to the definition of violence and compulsory reporting was introduced," Kurtsikidze said.

Half of the Georgian population considers violence to be reasonable for punishment of a child, according to our research. 60 percent of the population uses violence to punish a child.

"During the last 25 years the child mortality rate has decreased but is still high. Child mortality has been reduced and all children are now enrolled in education. But too many children still do not enjoy their full rights," Kurtsikidze said.

To solve all these problems and help the authorities in this, UNICEF plans to arrange different kinds of events and discussions where not only UNICEF members or its partners will be involved, but society as well. For example, a discussion will be held on 5 December, 2014, at the Writers' House of Georgia where well-known writers will talk about education issues and the importance of qualified education for children.

"They will share their opinions on how they see establishing a better educational system for children. This year Georgian musicians expressed their desire to be involved in the process of child

rights and Nikoloz Rachveli, Georgian conductor, composer and cultural manager dedicated his performance World Cinema-Music Masterpieces to the 25th anniversary of child rights. During the performances Nikoloz Rachveli spoke to the audience about child rights. It is very useful when writers, musicians, actors and famous people in general discuss child rights issues," Kurtsikidze said.

"Worldwide such campaigns are already very widely used. For example, recently UNICEF was given permission by Yoko Ono to launch #IMAGINE, which offers millions of people the chance to record their own versions of the Lennon classic using an iPhone and iPad app - and you even get to place yourself inside the video alongside A-listers. Inside the app, they'll see where around the world other people have recorded their versions of Imagine and will be invited to record their own. Katy Perry, Nicole Scherzinger, Idris Elba, William and David Guetta are among dozens of stars launching the biggest sing-along in history - and you're invited to join them. The video spearheads a global campaign by UNICEF to celebrate the 25th anniversary of the Convention on the Rights of the Child. Besides, as the Convention rings its 25th anniversary we call every 25 year old person to share their childhood experiences and share their opinions about what problems they faced and

what are the useful things that should be done to solve these problems," Kurtsikidze said.

There are about 1,000-1,500 children living and working in the streets in the four main cities of Georgia, according to UNICEF.

"There is a state mechanism developed to help these people. From 2013 for the first time in Georgia mobile groups consisting of social worker, psychologist and peer educator (a person who has lived on the streets before and has experience in it) have been working in the streets to take children from street to 'Day Care Centres' or to orphanages. There are three Day Care Centres in Tbilisi and several orphanages. It is not easy to take children off the streets as they are used to living there. Some of them have such psychological trauma that it takes time to persuade them to leave the streets. We cannot force them to follow the mobile groups. One day there will be no more children living on the streets however. This is our goal," said Kurtsikidze.



Giorgi Vashadze:

Parliamentary Minority MP

"Car trade has decreased which is due to the incompetence of the government."

Lasha SENASHVILI
FactCheck

On 1 October 2014, at the session of the Parliament of Georgia, Parliamentary Minority MP, Giorgi Vashadze, stated that one of the most successful businesses of recent years, car trade, has experienced a period of regress since the Georgian Dream coalition assumed office. According to Mr Vashadze, this is due to the incompetence of the ruling coalition.

The export of cars has been increasing every year since 2010.

The National Statistics Office has published the data of the first nine months of 2014 only at this stage. As we can see, the income from car export equalled USD 408,570 in the first nine months of 2014. It should be pointed out that this number was equal to USD 511,742 in the same period of 2013. The income from car export has decreased by USD 103,172 (about 21%) in January to September 2014 as compared to the same period of the previous year.

According to the National Statistics Office of Georgia, Azerbaijan is the main buyer of the cars exported from Georgia from 2010 to 2014. However, the amount of exported cars to Azerbaijan has decreased significantly in 2014 as compared to re-

cent years.

Apart from Azerbaijan, Armenia and Central Asian countries are the main market for the cars exported from Georgia.

According to car dealers, the main reason of the decrease in export is the enactment of the Euro-4 standard by Azerbaijan and the entry of Kazakhstan and Armenia into the Eurasian Union. On 1 April 2014, the Euro-4 standard was enacted in Azerbaijan which prohibits the import of cars manufactured before 2005. According to the official position of Azerbaijan, this new regulation aims to decrease the harm to the environment by reducing vehicle emissions. According to cardealers, the new regulation has prohibited the import of the cars manufactured before 2005. Georgian dealers used to trade mainly with vehicles manufactured before 2005. It should be pointed out that the number of the cars exported to Azerbaijan decreased from 33,356 to 14,822 (almost 44%) in 2014. Hence, we can say that the dealers are already adapting to the new rules.

Kazakhstan was another important partner of Georgia in terms of car export. However, from July 2011, the amount of exported cars decreased significantly after Kazakhstan entered the Eurasian Union. Because of the common tariff policy of the Eurasian Union, the customs

duties on cars have increased about seven times. On 9 October 2014, Armenia also signed the agreement of its entry into the Eurasian Union. It will ratify the document on 1 January 2015. Hence, the export of cars to Armenia is expected to decrease as well.

FactCheck contacted the representative of the non-governmental organisation, Public Initiative, Vasil Urushadze. According to him, cardealers are dissatisfied with the inaction of the government. According to Mr. Urushadze, the previous government managed to reach an agreement on the simplified export procedures through diplomatic negotiations with the Government of Azerbaijan.

FactCheck also contacted Giorgi Vashadze. He explained that in order to compensate for the loss caused by the reduction of export, the government can increase the period of vehicle clearance (up to 90 days). According to Vashadze, this kind of legislative change is one of the ways in which to solve the crisis. It might also be advisable to temporarily exempt car exporters (both the individuals and legal entities) from the customs penalties. The MP also said that the government has done nothing to help the cardealers in 2014 and this was exactly what he meant when speaking about the incompetence of the government.

PASHA Bank - Sponsor of Georgian Panorama at 15th Tbilisi International Film Festival

PASHA Bank, a full service corporate bank, is supporting one of the most important cultural events in Tbilisi, the 15th Tbilisi International Film Festival (TIFF). The Festival will bring a festive mood to movie fans who will be able to enjoy the most important and controversial films of the year at the event held from 1-7 December.

The Festival will feature more than 120 films of various genres and formats which will be divided into the following sections: International Competition, Georgian Panorama, Forum of European Cinema, Films Across Borders, Made in Germany (in cooperation with loyal partner - the Goethe Institute), Country in Focus - Benelux countries, World in Docs, Director in Focus, Green Colour - Focused on the Environment, and others.

Awards will be distributed in two categories - International Competition and Georgian Panorama. Winners of the first category will receive a Prometheus, trophy, as a prize, while the winners of the second category - local film directors - will receive financing to travel to foreign festivals with their movies. PASHA Bank has special gifts for the winners - a trip to the Berlin International Film Festival.



The Festival will also provide workshops, lectures, Q&A sessions and panel discussions to encourage the involvement of domestic and international film professionals. The workshops' participants will become acquainted with all fields of the film industry from scriptwriting to soundtracks, writing and selection.

PASHA Bank Georgia is presenting Georgian Panorama, a traditional section, presenting the most interesting Georgian films of the year. The programme is focused on supporting Georgian cinematographers to present their works to wider audiences.

Georgian Panorama will be held within the framework of full-length feature films in the competition. Seven Georgian films will take part. New

nominations will be added to the section. Together with the Best Film and the Best Director, a Prometheus prize will be awarded for the best male and female performers.

In addition, there will be documentary and short feature films, where the latest works of Georgian directors will be presented.

On 27 November, representatives of the Festival together with honoured guests, including representatives of the British Council, Institute of Francois, Goethe Institute, Turkish Cultural Center, and the embassies of Turkey, Sweden and Poland arranged a press conference at the headquarters of PASHA Bank Georgia.

The honoured guests underlined the importance of TIFFF for the whole industry.

Table 1: Car Export to Azerbaijan from 2010 to 2014

USD Thousand	2010	2011	2012	2013 (January to September)	2014 (January to September)
Overall Export	227,360	450,297	587,963	528,587	425,790
Export to Azerbaijan	104,265	177,839	345,616	303,117	207,200

1 At the beginning of 1990, the European Communities created a standard which determined the maximum level of vehicle emissions. They called the increasingly strict and increasingly successful standard Euro 1 (1993), Euro 2 (1996), Euro 3 (2000), Euro 4 (2005) and Euro 5 (2008).

CONCLUSION

FactCheck concludes that Giorgi Vashadze's statement: "Car trade has decreased which is due to the incompetence of the government. You can see the reduced numbers yourselves," is **MOSTLY TRUE**.

MOSTLY TRUE




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