



# Nodar Khaduri:

Minister of Finance of Georgia

“A total of 15,000 beneficiaries are involved in the Agro Insurance project as of November 2014 and the total value of the insured risks equals GEL 150 million.”



Veriko SUKHIASHVILI  
FactCheck

**A** plenary session of the Parliament of Georgia was held on 14 November 2014 where the Minister of Finance of Georgia, Nodar Khaduri, presented the 2014 State Budget project. Whilst speaking about the planned projects in the field of agriculture, the Minister stated: “The Agro Insurance project’s funding will continue. A total of 15,000 beneficiaries are involved in the Agro Insurance project as of 1 November 2014 and the total value of the insured risks equals GEL 150 million.”

FactCheck took interest in this statement and looked into the Agro Insurance project.

The Agro Insurance project was enacted from 1 September 2014. This is a pilot project, planned to operate for one year. The project aims to actively include the insurance system in the field of agriculture. The Agricultural Projects Management Agency is in charge of the project’s coordination.

Directive No. 1,462 of the Government of Georgia determined the actions and budget necessary to implement the AgroInsurance project. The overall budget of the project equals GEL 5 million. The conditions of insurance are as follows: a total of 70%-90% or, in some cases, even 95% of the insurance package will

be covered by the state whilst the farmer, user or any other person using the insurance will pay, according to certain scales, over 0,5% of the insurance. Whilst subsidising the insurance package, the state covers a maximum amount of GEL 30,000 in the case of an individual whilst covering GEL 50,000 in the case of agricultural cooperatives. All sorts of agricultural products will be insured by the project. This includes insurance from natural disasters such as hailstorms, excessive precipitation, storms and autumn frost. The project only insures the plots of land which have cadastral codes, maps and/or GPS coordinates. It should be noted that the insurance does not cover damage caused by droughts.

Insurance companies licensed in Georgia expressed their wish to participate in the AgroInsurance project. On 1 September 2014, a memorandum of cooperation was signed between the Agricultural Projects Management Agency and the following insurance companies: GPI Holding, Aldagi, IC Group, Irao and Cartu. The insurance companies agreed to sign contracts with farmers taking part in the insurance project. The insurer is obligated to pay a part of the insurance bonus upon the issuance of the insurance policy. The rest of the insurance bonus will be paid by the Agency.

FactCheck requested information about the Agro Insurance project from the Agricultural Projects Man-

agement Agency. According to their data, a total of 15,423 hectares of land has been insured in terms of the project as of 17 November 2014 whilst the number of the beneficiaries is about 16,500. The insurance limit amounts to GEL 150 million which means that the total value of the insured risks is about GEL 150 million. According to the Agency, farmers actively cooperated with the Agency in order to insure their harvest. The whole amount of GEL 5 million, allocated by the government for the project, has already been used up. Hence, the budget of the project has increased and amounted to GEL 11,101,329. The project will continue next year as well.

We asked Giorgi Gigolashvili, Head of the Insurance Institute, an NGO, to comment upon the AgroInsurance project. He stated: “The field of agricultural risks insurance has never been created in any developed countries without the interference of the state. The state shares the agricultural risks with the insurance companies. As of today, the insurance market in the field of agriculture is virtually unused and the activity of the insurance companies is very low because they cannot get income. According to the data of 2013, agricultural insurance constituted only 1% of the property insurance. This is a very low share. We will only be able to talk about the success of the Agro Insurance project after a year based upon the benefits the farmers and the insurance companies get.”

## CONCLUSION

The AgroInsurance project was enacted as a pilot beginning on 1 September 2014. The project enables farmers to insure their harvest against natural disasters. The state subsidises from 70% to 95% of the insurance package. According to the data of the Agricultural Projects Management Agency, a total of 15,423 hectares of land has been insured in terms of the project as of 17 November 2014 whilst the number of the beneficiaries is about 16,500. State funding amounts to GEL 11,101,329. The initial budget of the project equalled GEL 5 million but given the growing interest of the farmers, it has been increased. Based upon the aforementioned facts, Nodar Khaduri’s statement: “A total of 15,000 beneficiaries are involved in the Agro Insurance project as of 1 November 2014 and the total value of the insured risks equals GEL 150 million,” is TRUE.

TRUE



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# Giorgi Kvirikashvili:

Minister of Economy of Georgia

“The worsening of Georgia’s rating in the Doing Business study is due to the new research methodology.”



Mariam CHACHUA  
FactCheck

**A** ccording to the Doing Business study, Georgia has moved from the 8<sup>th</sup> to the 15<sup>th</sup> position in 2014 as compared to the previous year. Minister of Economy of Georgia, Giorgi Kvirikashvili, made a statement about this issue on Maestro’s Business Contact saying that the worsening of Georgia’s rating in the Doing Business study was mainly due to the new research meth-

odology. FactCheck took interest in this statement and verified its accuracy.

Doing Business is the World Bank’s study which has been conducted in all of its member states since 2004 and aims to assess their particular business environments.

There have been certain methodological changes in the Doing Business study this year. In addition, the data of 2013 was re-calculated which resulted in Georgia’s rating being changed, moving from the 8<sup>th</sup> to the 14<sup>th</sup> position. This year, according to Doing

Business 2015, Georgia holds the 15<sup>th</sup> position.

The following components are new to Doing Business for 2015:

Methods of rating calculation have changed. An additional study on second largest cities for 11 countries with the world’s largest economies has been added.

According to Doing Business 2014, Georgia’s rating worsened in five components and significantly improved in one component (Resolving Insolvency), moving from the 130<sup>th</sup> to the 122<sup>nd</sup> position (Chart 1).

Chart 1

Chart 1	Rating	
	2013	2014
Georgia’s Rating	14	15
Starting a Business	4	5
Dealing with Construction Permits	3	3
Getting Electricity	36	37
Registering Property	1	1
Getting Credit	5	7
Protecting Minority Investors	43	43
Paying Taxes	22	38
Trading across Borders	31	33
Enforcing Contracts	23	23
Resolving Insolvency	130	122

Even though the business environment in Georgia has not worsened over recent years, according to the Doing Business study, there has been no major reform in the field of business for the past two years. The number of

reforms aimed at improving Georgia’s business environment was quite high in previous years (Chart 2). In 2007, Georgia was amongst the top ten countries with reforms in the field of business. The reforms carried out in 2012

improved Georgia’s ratings in six components. Given the fact that Georgia’s ratings are still quite low in some of the components, the business environment needs to be improved or its ratings could worsen in the future as well.

Chart 2

Year	Number of Reforms
2007	6
2008	4
2009	2
2010	4
2011	4
2012	6
2013	1
2014	1

## CONCLUSION

Georgia held the 8<sup>th</sup> position in the Doing Business 2013 study whilst moving to the 14<sup>th</sup> position after the data was re-calculated according to the new methodology. In addition, according to Doing Business 2015, there have been no major reforms in the field of business in 2014. FactCheck concludes that Giorgi Kvirikashvili’s statement is HALF TRUE.

HALF TRUE



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