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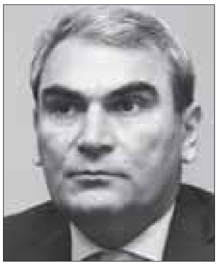
GRASS FACTCHECK

Gigla Agulashvili, PM



"According to the World Bank's research, Georgia is the leader in the region in terms of government effectiveness and is ahead of 11 European states."

HALF TRUE

Giorgi GATENASHVILI
FactCheck

On 30 January 2015, on air on Imedi TV, member of the Parliamentary Majority, Gigla Agulashvili, declared that according to the World Bank's research, the effectiveness of the Georgian government was measured to be 62.5% which meant, therefore, that Georgia was a leader in the region and in a position ahead of 11 other European states.

The Worldwide Governance Indicator (WGI) is one of the research activities of the World Bank which measures government effectiveness alongside other indicators. The World Bank has published this research annually since 1996 (the last research, based upon data collected in 2013, was published in 2014).

The World Bank assesses government effectiveness upon the basis of research published by 15 international organisations; namely: the Economist Intelligence Unit, International Fund for Agricultural Development, Asian Development Bank, African Development Bank and the World Economic Forum, among others. The World Bank uses the results of the publications and produces its own report which includes an assessment of the effectiveness of various governments.

According to Gigla Agulashvili, his statement was made upon the basis of Georgian news sources. However, instead of using the World Bank report, the aforementioned media outlets formulated their conclusions upon the basis of other research which was included in the World Bank report. The outlets provided World Bank data but their respective articles cite the research of the Economist Intelligence Unit and the International Fund for Agricultural Development, both of which are included in the World Bank's Worldwide Governance Indicator report.

We asked Gigla Agulashvili to clarify what he meant by "region" and "European countries" in terms of Georgia's positions therein as it is possible to attribute different meanings and interpretations to these concepts. Mr Agulashvili asked that we consult the sources which he used to make his statement. According to those sources, the concept of "region" implies Georgia's immediate neighbourhood whilst "European countries" are deemed to be the members of the European Union.

According to the World Bank report, the effectiveness of the Georgian government was measured to be 69.89% in 2012 and 69.38% in 2013. According to these indicators, Georgia is indeed ahead of its neighbouring countries.

In order to see the full picture, we analysed the government's performance in terms of government effectiveness in the period of 2004-2013. Since 2004, the performance has been gradually improving with the only exception being in 2009 and 2010 which were years affected by the war with Russia in 2008 and the world financial crisis. Beginning from 2011-2012, the performance rate started to grow again and reached its climax of 69.9% in 2012. In 2013, which was mentioned in the MP's statement, the rate dropped slightly (see Table 2).

We compared the rate of effectiveness of the Georgian government to the rates of EU member countries. According to the World Bank research of 2012-2013, the Georgian government in terms of its effectiveness is ahead of four EU member countries: Romania, Bulgaria, Greece and Italy.

Table 1: Effectiveness of the Georgian Government and the Governments of its Neighbouring Countries

Country	2012	2013
Georgia	69.89	69.38
Turkey	65.07	65.55
Armenia	54.55	57.89
Russia	40.67	43.06
Azerbaijan	23.92	38.76

Table 2: Effectiveness of the Georgian Government in 2004-2013

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Percentage	36.59	39.51	50.24	56.31	65.53	62.20	64.11	69.19	69.89	69.38

CONCLUSION

The Georgian government's effectiveness rate has been on the rise in the period of 2004-2013 with the only exception appearing in 2009 and 2010 as a result of the 2008 war with Russia and the world financial crisis. According to the World Bank's research, the effectiveness of the Georgian government was measured to be 69.89% in 2012. In 2013, it dropped to 69.38%. Accordingly, in 2012-2013 the Georgian government was indeed a leader in the region. However, it must be noted that the rate of effectiveness of the governments of neighbouring countries increased whilst Georgia experienced a decline.

Gigla Agulashvili's statement, with respect to the effectiveness of the Georgian government, is accurate but that result is largely based upon the previous government's activities rather than the achievements of the incumbent government. In regard to European Union member states, the Georgian government is ahead of four countries, and not 11 as stated by the MP, in terms of its rate of effectiveness.

Therefore, Gigla Agulashvili's statement is HALF TRUE.

HALF TRUE

EUROPEAN ENDOWMENT FOR DEMOCRACY
G|M|F The German Marshall Fund of the United States
STRENGTHENING TRANSATLANTIC COOPERATION
Kingdom of the Netherlands

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Waste Management: Each Person in the EU Generated 481 kg of Municipal Waste in 2013

43% WAS RECYCLED OR COMPOSTED

The FINANCIAL

In the European Union (EU), the amount of municipal waste1 generated per person in 2013 amounted to 481 kg, down by 8.7% compared with its peak of 527 kg per person in 2002. Since 2007, the generation of municipal waste per person has constantly decreased in the EU to below its mid-1990s level.

Of the 481 kg of municipal waste generated per person in the EU in 2013, 470 kg per person were treated2. This treatment followed different methods3: 31% was landfilled, 28% recycled, 26% incinerated and 15% composted. The share of municipal waste recycled or composted in the EU has steadily increased over the time period, from 18% in 1995 to 43% in 2013.

LOWEST WASTE GENERATED PER PERSON IN ROMANIA, HIGHEST IN DENMARK

The amount of municipal waste generated varies significantly across the EU Member States. With less than 300 kg per person, Romania, Estonia and Poland had the lowest amount of waste generated in 2013, followed by Slovakia, the Czech Republic and Latvia (all just over 300 kg per person). At the opposite end of the scale, Denmark (747 kg per person) had the highest amount of waste generated in 2013, well ahead of Luxembourg, Cyprus and Germany with lower amounts but above 600 kg per person, and Ireland, Austria, Malta, France, the Netherlands and Greece with values between 500 and 600 kg per person. It should be noted that different coverage of municipal waste explains part of the differences between Member States.

ALMOST TWO-THIRDS OF MUNICIPAL WASTE RECYCLED OR COMPOSTED IN GERMANY

The treatment methods differ substantially between Member States. In 2013, a third or more of municipal waste was recycled in Slovenia (55%), Germany (47%), Belgium and Ireland (both 34%) and Sweden (33%). Composting was most common in Austria (35%), followed by the Netherlands (26%), Belgium (21%) and Luxembourg (20%). At least half of the municipal waste treated in 2013 was incinerated in Estonia (64%), Denmark (54%) and Sweden (50%), while the highest shares of municipal waste landfilled were recorded in Romania (97%), Malta (88%), Croatia (85%), Latvia (83%) and Greece (81%).

Recycling and composting together accounted in 2013 for nearly two-thirds (65%) of waste treatment in Germany and for more than half in Slovenia (61%), Austria (59%) and Belgium (55%).

Global Real Estate Investment Falls for First Time in Five Years

Continued from p. 6

in general are improving but shortages of quality space will continue to hold back the market in 2015.

Looking into 2015, the Americas are expected to perform strongly, with a further rise in activity driven by the U.S., rising values from yield compression and, in the case of the U.S., rental growth as well. Volume growth of 15% is forecast for North America and 8% in Latin America.

"Generally, investor demand is robust spurred by rental growth beginning to occur in key markets such as Singapore and Tokyo, as well as the continuing evolution of the region's REIT markets. Demand for office investment is strongest in core markets", Cushman & Wakefield's head of Asia Pacific capital markets, John Stinson, said. "We expect that continued relaxation of monetary policy in China and India to spur activity later in the year. Growth is expected to be higher this year than last – however, it will be variable around the region".

"There will be a diverse range of opportunities as a result, with more still to go for in core markets for rental growth like Japan and Singapore or for those seeking yield in Australia, as well a wide variety of potential higher growth markets led by China and India."

The Asia Pacific region is expected to see a return of volume growth in 2015, with land markets stable but a steady in-crease for built commercial space pushing overall volumes up by 0-5%. Alongside this, further modest yield compression is likely in line with the low level of interest rates and supported by steady rental growth.

Does It Make Sense to Subsidize Smallholder Georgian Agriculture, And If So, How?

Continued from p. 2

IMPROVEMENTS IN PROGRAM DESIGN

Launched without much preparation in the rush to support the spring sowing campaign of 2013, the Agricultural Card Program (ACP) subsequently went through significant modifications. The overall budget of ACP was cut from 195mln in 2013 to 60mln in 2015. These “savings” were achieved, first, by excluding households owning plots larger than 1.25ha, and, second, by dramatically reducing subsidies for all farm sizes and types.

The basic logic of the program, however, remained intact. Owners of the smallest plots (not large enough for tractor cultivation) were offered subsidized inputs. Owners of slightly larger plots got subsidies for cultivation services or inputs, depending on crop types.

In 2014, a significant effort was made to verify and expand the list of beneficiaries from 710, 000 to 800,000 farmers. Additionally, better targeting was introduced by distinguishing between farmers involved in perennial crops (e.g. hazelnut, mandarin, and apple growers), who do not use tractor cultivation but could benefit from subsidized inputs, on the one hand, and those growing annual crops (maize, wheat, etc.), on the other.

To avoid price inflation, the government set maximum prices on inputs sold through retail shops registered with ACP. To ensure access, the number of registered input suppliers increased over time with many veterinary and plant protection shops opening in various municipality centers.

Chart 1. Sown areas

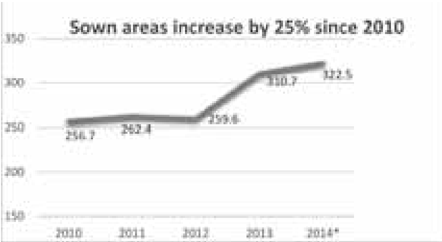
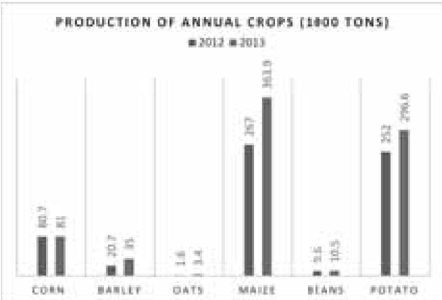


Chart 2. Production of annual crops, 2012-13



ACHIEVING POSITIVE IMPACT

The program is certain to have achieved impact in terms of increasing the amount of land under cultivation and encouraging smallholders to use chemicals (fertilizers and pesticides) and machinery services. In particular, sown areas have grown by 25% since 2010 (see Chart 1). Likewise, as shown in Chart 2, production of almost all annual crops increased in 2013, suggesting that ACP has had a positive short-run effect on farmer’s productivity. While not all these improvements can be fully attributed to ACP, the program was certainly a contributing factor.

It is also important to note that the program is likely to have achieved longer-term impacts as well. In particular, any capital investments made by the project beneficiaries as a result of ACP – e.g. by using money saved on inputs and cultivation services – would have a lasting positive effect on productivity. The same is true about permanent improvements in farmers’ awareness about the benefits of modern agricultural inputs (e.g. seeds and chemicals) and practical experience in their application.

Finally, another impact of the program is concerned with improvements in farmers’ access to inputs as ACP has visibly increased both the number of suppliers and variety of inputs available to farmers

BUT OFTEN MISSING THE TARGET!

Our study suggests that the program suffered from many design flows, resulting in inefficient use of scarce public resources.

First, the program’s design failed to take into account that the vast majority of agricultural plots are not properly registered. Since Georgia’s cadastral map is far from complete, data on land ownership (the basis for determining the size and type of subsidy to be provided) was in many instances collected informally, with the help of “village elders” and based on unverified information volunteered by the households. We heard of many instances in which cards were received by urban households who formally own agricultural land but are not at all involved in agricultural activities; many farmers were denied government subsidy because they don’t formally own the land they cultivate.

Targeting, or rather lack thereof, was another major issue. In *Dedoplistkaro* (Kakheti) we heard that cards were systematically exchanged or traded. In many cases, farmers preferred to trade-in their “plowing cards” and receive extra points on their “agro cards” (allowing to buy extra inputs). Giorgi Z., 27 y.o., explained:

You can hire a private tractor and pay 20 GEL for service and provide 20-25 liters of diesel per ha. Whereas in case of Meqanizatori [state-owned machinery service center], you need to pay 115 GEL per ha plus a mileage fee”.

While this type of exchange improves upon the initial allocation of subsidies by the ACP, we also heard of the much less welcome phenomenon of medium-size farmers (owning 10-20ha of land) systematically buying cards from smallholders at a 20-40% discount. As it turns out, many of the smallholders simply lack the manpower and/or desire to engage in agricultural production, preferring to get cash instead. Thus, we documented instances in which “farmers” granted cards to friends and neighbors, or – much less auspiciously – exchanged them for alcohol. It goes without saying that it would be more efficient to support such “farmers” using social, rather than agricultural policy tools.

Yet another issue with targeting concerns the great variety of climate and soil conditions across Georgia’s regions. For instance, in Satskhori village (Mtskheta-Mtianeti) we were told that neither tractor cultivation nor agricultural inputs are the binding constraints for increased productivity. In east Georgia, the binding constraint is irrigation. Irakli K. (51 y.o.) was quite explicit on this point:

“The card program costs a lot of money. Rather than getting vouchers we would like the government to spend this money to improve irrigation. If there is no irrigation, money spent on chemicals or plowing is money wasted”.

Conversely, irrigation is not an acute problem in western Georgia. The farmers we interviewed in Guria and Samegrelo report greatly increased land utilization and use of fertilizer as a result of ACP. Their main complaint is that the amount of subsidy was greatly reduced after 2013, suggesting that the program is unlikely to be sustained.

“The main issue for us to be able to sell our products and to be assured of a reasonable price, suggested Lasha L. (37), a smallholder from Shukhuti village, Guria. “The money that was spent on this project could be used to build two juice processing factories could in our region,” he added.

Sustainable market access was identified as the binding constraint in other regions as well. According to Rati Sh. (25) from Uraveli village in Samtskhe-Javakheti:

“Markets for agricultural products is the key issue. A farmer has around 1-1.5 tons of potato to sell during the year. Clients are not coming to the village. The price of 0.30-0.40 GEL per kg is not acceptable for farmers. The government should support farmers by ensuring stable prices. If this will be done, people will start plowing and planting without any vouchers.”

An excellent summary was provided by Giorgi A. (43) from Dedoplistkaro, Kakheti. “To be efficient, government policies have to be better targeted”, he said,

It would be far better if government support programs were region- and sector specific. For instance, in our municipality people have larger plots of land than elsewhere. Georgia is a small country but every region specializes in different kinds of crops and has different needs. One-size-fit-all approach is not going to work.”

GRASS FACTCHECK

Giorgi Kvirikashvili:

Minister of Economy and Sustainable Development of Georgia

“The decrease in oil prices has caused problems in our region. This influenced Georgia and the exchange rate of GEL as well.”

MOSTLY FALSE

Mariam CHACHUA
FactCheck

On 16 January 2015, during his interview on Rustavi 2, the Minister of Economy and Sustainable Development of Georgia, Giorgi Kvirikashvili, stated the decrease in oil prices and the subsequent problems in the region to be among the causes of the depreciation of GEL.

Georgia has a floating exchange rate which means that the changes in the rate depend upon the ratio of GEL to USD and supply and demand. Export of goods and services, foreign investments and money transfers are the main sources of foreign currency for Georgia.

According to the data of the International Monetary Fund (IMF), the growth rate of the economies in the region has, indeed, decreased. Ukraine (-6.5%), Russia (0.2%) and Moldova (1.8%) had the lowest growth rates in the region. High economic growth was observed in Tajikistan (6%), Uzbekistan (7%) and Turkmenistan (10.1%). The economic growth rate in the rest of the countries varied from 3% to 4%.

The changes in oil prices also had an influence upon the growth rates of the economies. The decrease in oil prices affects oil-importing and oil-exporting countries differently. The decrease in prices reduces revenues from sales which has a negative influence upon oil-exporting countries.

Azerbaijan, Russia, Turkmenistan, Kazakhstan and Uzbekistan are the main oil-exporting countries of the region. The most significant decrease in economic growth was registered in Russia and Azerbaijan which are Georgia’s major trading partners. The economic processes in an oil-exporting country might negatively influence its trading partners as well as possibly decreasing external trade and investments.

The direct effect of a decrease in oil prices on oil-importing countries is positive as it reduces the expenses on oil purchases and positively influences the trade balance as well.

Georgia’s export to Azerbaijan decreased by 23% in 2014 which is mainly due to the enactment of the Euro 4 standard in Azerbaijan. However, since Azerbaijan’s economy is heavily dependent upon oil revenues, the decrease in oil prices had a negative influence upon Azerbaijan’s economic growth, thereby reducing its internal demand as well.

Despite the decrease in economic growth in Russia, exports from Georgia to Russia increased by 44% (USD 84 million). The growth of export to Uzbekistan was also very high. Export from Georgia to Uzbekistan increased by USD 32 million (140%) in 2014.

The economic situation in the region also influences the influx of investments and money transfers which are the sources of foreign currency. The amount of investment from the Commonwealth of Independent States increased three times in the first three quarters of 2014. Investments from Azerbaijan (382%) and Russia (565%) increased significantly. As for the rest of the countries, the share of their investments in the amount of foreign direct investments in Georgia is so small that their decrease could not have influenced the exchange rate of GEL.

As for the money transfers, a total of USD 1,441 million was transferred to Georgia in 2014 which is USD 36 million (2.4%) less than in 2013. A total of 49% of the money transfers to Georgia come from Russia and the money transfers from Russia decreased by 11.5% (USD 92 million) in 2014 as compared to the previous year. Hence, the on-going processes in Russia did, indeed, influence the money transfers to Georgia.

Oil products occupy the biggest share of Georgia’s imports (11%). The decrease in oil prices reduces the expenses on oil products from Georgia, positively influencing the external trade balance. In addition, since oil is a production factor, the decrease in its prices influences the prices of final products as well. Hence, the decrease in oil prices should have influenced Georgia’s economy and the exchange rate of GEL positively, rather than negatively.

Table 1: Changes in the GDPs of Oil-Exporting Countries of the Region and Export from Georgia (2014)

	Share of Oil Revenues in GDP	Economic Growth	Share in Georgian Exports	Growth of Export (USD Million)	Growth of Export
CIS Countries	-	-	51%	-155.5	-10%
Azerbaijan	36%	4.5%	19%	-165.5	-23%
Russia	14%	0.2%	10%	84.3	44%
Kazakhstan	25%	4.6%	3%	-15	-15%
Turkmenistan	21%	10.1%	1%	0.2	1%
Uzbekistan	3%	7%	2%	31.8	140%

Source: World Bank, National Statistics Office of Georgia

CONCLUSION

The growth rate of the economies in the region did, indeed, decrease in 2014. From the oil-exporting countries of the region, Georgia has its closest economic ties with Russia and Azerbaijan. It should be pointed out that despite the decrease in economic growth, exports from Georgia to Russia have increased by 44% whilst the investments from Russia increased 5.7 times. Investments from Azerbaijan have also increased (3.8 times). As for the decrease in exports to Azerbaijan, this is mainly due to the new regulations about motorcars.
Based upon the factors analysed in the article, FactCheck concludes that Giorgi Kvirikashvili’s statement is MOSTLY FALSE.

MOSTLY FALSE