

# FactCheck



## Zviad Dzidziguri:

Deputy Speaker of the Parliament of Georgia

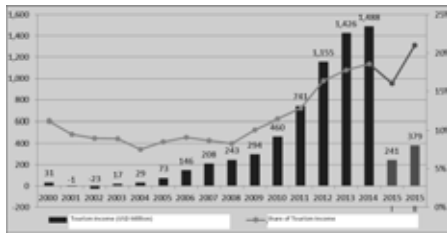


“Tourism is not a principal source of income for the country and selling off land does not impact the GEL exchange rate.”

MOSTLY FALSE

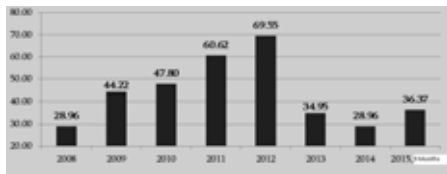
Valeri KVARATSKHELIA  
FactCheck

Graph 1: Share of Tourism Income in Total Foreign Currency Inflows (2000-2015)



Source: National Bank of Georgia

Graph 3: Total Value of Privatised Land in 2008-2015 (GEL Million)



Source: Ministry of Finance of Georgia

On air on Rustavi 2 as a guest of the talk show, *Archevani*, Deputy Speaker of the Parliament of Georgia, Zviad Dzidziguri, talked about the reasons behind the depreciation of GEL and stated: “The income received from selling off land is not high enough to affect the GEL exchange rate. Also, we should not be saying that tourism is a principal source of income for the country.”

FactCheck verified the accuracy of the statement.

Income received from international tourism is one of the sources of foreign currency inflows into a country. Therefore, changes in this income source affect a currency exchange rate. The impact upon a currency exchange rate as a result of income from tourism depends upon the size of the share of this income as compared to the total amount of foreign currency inflows into a country (Graph 1).

As illustrated in the graph, Georgia belongs to the category of those countries where tourism income constitutes a significant part of the total amount of currency inflows. Therefore, changes in that regard affect the country's currency exchange rate. Since 2009 (10.1%), a growth trend has become evident and reached an annual ceiling of 18.6% in 2014. This year, only the data of the first two quarters have been published indicating that the share of tourism income as compared to the total amount of foreign currency inflows into the country reached 16% and 21%, respectively for each quarter. The growth of this share was caused by the decrease in foreign currency inflows from other sources (such as export income and remittances).

Against the backdrop of an increase in the absolute number for tourism income, the growth rate of revenues from tourism has been slower since 2012 and hit a minimum for the period (4%) in 2014. Additionally, the growth rate was

2% in the first two quarters of 2015 as compared to the same period of the previous year which is not enough to compensate for the deficit of foreign currency caused by a decrease in both import and remittances. All of these had a negative impact upon the GEL exchange rate.

Graph 3 provides some information concerning the practice of land privatisation in Georgia. We can see that the value of state-owned land which was transferred to private ownership was constantly on the rise in absolute numbers in the period of 2008-2012 whilst showing a decrease from 2013. Of note is that the ban on selling land plots to foreigners went into force precisely in June 2013. In June 2014, the Constitutional Court of Georgia ruled that the aforementioned ban was unconstitutional. In September 2014, the Government of Georgia adopted a new package of amendments according to which the absolute limitation upon foreigners to purchase land was replaced by a conditional limitation. The limitations to purchase land

imposed upon foreigners also decreased the incentive among residents to purchase land because of the increased risks associated with ownership.

FactCheck could not obtain information in terms of the total amount of land purchased by foreigners because the National Statistics Office of Georgia and the National Agency of Public Register do not produce this type of statistics. However, apart from the impact upon currency inflows, the aforementioned limitations negatively affect the sector, in particular, and the entire economy, in general, given that the imposed limitations decrease the incentive to invest as well as the incentive to reinvest. Additionally, together with imposing stricter regulations upon residence permits and visas, the limitations to purchase land created an indirect message reflecting the attitude of the Georgian state towards citizens of foreign countries. This type of policy usually results not only in a worsening of the investment climate of a particular sector of the economy but of the entire country overall.

# Mamuka Bakhtadze about Chinese Transit Train Arrival: This is a Historical Event



Prime Minister Irakli Gharibashvili and Mamuka Bakhtadze, General Director, Georgian Railways

Georgian Railway Director General Mamuka Bakhtadze has appraised the arrival of the Chinese transit train to Georgia as a historical fact.

“This is an important and historical event. We have worked on the project implementation for two years along with completion of many technological and logistics projects. We have successfully finished all these projects.

We have transported the cargo through the Silk Road corridor for the first time. The starting point is in South Korea. The corridor crosses China, Kazakhstan, Caspian Sea, Azerbaijan and Georgia and ends in Istanbul, Turkey”, Mamuka Bakhtadze noted.

DHL and Vestel companies are among the clients of the transit train from China. This fact signifies the world's major companies are interested in our corridor”, Mamuka Bakhtadze noted.

“Our route's efficiency strengthens four times compared to the traditional

seaborne route and it ensures considerable insurance of the cargo owners”, the Railway Director General noted.

As reported, the first transit train (with 21 containers) was off from Chinese seaport of Lianyungang terminal on November 29 and it arrived in Georgia on December 13, while the train will reach the final destination in three days. The cargo transportation was carried out as part of the NOMAD Express project.

The train has crossed China, Kazakhstan, Azerbaijan, Georgia and will arrive in Turkey.

This is the first transit cargo train and a really implemented the Silk Road project. In the future, the transit train will connect Asia with Europe in the shortest period. The cargo from the Chinas' far eastern point of Lianyungang seaport will reach Istanbul in 14-15 days, while seaborne transport used to take 40-45 days.

In 2013 by the initiative of Georgia, Azerbaijan and Kazakhstan railway companies a tariff committee was established with the aim to enhance

the TransCaspian corridor's competitive capacity.

Later Aktau, Baku and Batumi seaports joined the new logistics project – TransCaspian International Transport Route on basis of the committee. Transparent tariffs were set on various consignments as part of this union and this has considerably decreased and simplified the transportation in our corridor.

In 2015 the participant countries established the consortium that united Mishgeng Logistics transportation company (China), KTJK akcmpecc (Kazakhstan), Caspar Caspian Sea Maritime Company and Karavan Logistics (Azerbaijan), TransCaucasus Terminal (Georgia). Turkey has joined the consortium as an associated member.

It is worth noting at the end of 2015 another transit train will arrive in Georgia, while several thousand of containers will be transported as part of the project starting 2016. Georgia's transit potential will double. In the future no average two block trains will arrive in the country.

# VTB Russia: “Georgia is a Definite Leader of our Business”

Continued from p. 4

**fact on all businesses. How have you tried to alleviate pressure on your customers in such a situation?**

A. Many customers have found it difficult to transform given such global challenges. We tried to be flexible. Overall conditions caused an increase in the worth of money. Despite it we did not enhance the interest rate on loans. In case of necessity we restructure loan terms. We try to give companies time to adapt to challenging conditions. Of course this is done at some expense of loss from our side. However, it is

crucial for us to help businesses to continue their work because finally, their effective results will allow us in the mid or long term to cover our loss and gain profit. Our business is based on companies, our citizens. So we have to love and respect our clients, but they should also adequately respond to it.

**Q. What are your plans for 2016 for the Russian and Georgian markets?**

A. We think that the Russian economy has now passed through the main period of adaptation. Various sectors, like transport, logistics, and agriculture, are already expressing huge interest in continuing investments. In Georgia we still

plan to remain profitable. In this regard the Bank will receive additional capital. What's most important is that our shareholders are interested in further development. We are constantly issuing bonds and the group's assets exceed USD 200 billion.



## CONCLUSION

FACTCHECK CONCLUDES THAT ZVIAD DZIDZIGURI'S STATEMENT IS MOSTLY FALSE.



MOSTLY FALSE



Kingdom of the Netherlands

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FINANCIAL is the most demanded newspaper in leading business schools of Georgia

It speaks the language of 80% of English language speakers seeking position in leading companies

& Did you know?



**S**ilk Road Chamber of International Commerce (SRCIC) was established in China. The Inauguration ceremony of the chamber was held on December 10, 2015 at the Intercontinental Hotel in Hong Kong. Hong Kong Chief Executive Mr. Leung Chun-ying along with prominent

business leaders and officials participated in ceremony. Mr. Lu Jiangzhong, Vice Chairman of China Chamber of International Commerce and Chairman of Tangwest Market Group, is appointed Chairman of SRCIC. Mr. Jemal Inatshvili, President of Confederation of Asia-Pacific Chambers of Com-

merce and Industry (CACCI) was elected vice chairman of SRCIC. The new chamber will foster economic co-operation between businesses, associations and government institutions between the countries along the New Silk Road. Headquarters of SRCIC is situated in Hong Kong.

## Real Agricultural Income Per Worker Down by 4.3% in the EU



### The FINANCIAL

**A**ccording to first estimates, real agricultural income in the European Union (EU) has fallen by 6.0% in 2015 compared with 2014, while agricultural labour input has dropped by 1.8%. As a result, real agricultural income per worker in the EU has decreased by 4.3% in 2015. Across the EU Member States, real agricultural income per worker in 2015 is expected to have risen in thirteen Member States and fallen in fifteen compared with previous year, albeit in different proportions.

**LARGEST INCREASE OF REAL AGRICULTURAL INCOME PER WORKER IN CROATIA, LARGEST DECLINE IN GERMANY**

Compared with the previous year, the highest increase

of the real agricultural income per worker are expected in Croatia (+21.5%), Latvia (+14.3%), Greece (+12.1%), France (+8.8%) and Italy (+8.7%), and the largest decreases in Germany (-37.6%), Poland (-23.8%), Luxembourg (-20.0%), Denmark (-19.7%), the United Kingdom (-19.3%) and Romania (-19.2%). Between 2010 and 2015, EU real agricultural income per worker is estimated to have increased by 8.0%. Over this period, real agricultural income per worker has risen in fifteen Member States, notably in Bulgaria, Hungary and Italy, while falls were recorded in thirteen Member States, with the largest being registered in Finland and Germany.

**LARGEST FALLS IN THE VALUE OF SUGAR BEET, GRAIN MAIZE AND MILK**

Compared with 2014, the value of EU agricultural output in 2015 is estimated to have decreased by 2.5% in nominal terms, mainly due to a marked fall in the value

of animal production (-5.9%) and a slight decrease in the value of crop output (-0.3%), combined with a decrease for input costs (-2.4%). The fall in the value of animal production is mainly due to declines in the value of milk (-14.9%) and pigs (-8.9%), only partly compensated by increases for cattle (+4.3%), sheep and goats (+3.2%), eggs (+2.1%) and poultry (+1.1%). Concerning crop production, falls in the value of sugar beet (-26.0%), grain maize (-24.5%), forage plants (-7.6%), oilseeds and oleaginous fruits (-5.3%), barley (-1.8%) as well as wheat and spelt (-0.6%) were almost counterbalanced by rises for olive oil (+13.3%), fresh vegetables (+12.1%), fruits (+7.3%) and wine (+2.5%). The drop in the value of sugar beet and maize was associated with the summer drought in certain EU Member States. EU agricultural input costs (intermediate consumption) are estimated to have decreased by 2.4%, mainly due to significant reductions for energy & lubricants (-10.1%) and animal feedingstuffs (-3.7%). The fall in the price of feedingstuffs as an input is a reflection of the decrease in the producer price of several cereals.



## Irakli

## Gharibashvili:

Minister of Economy and Sustainable Development of Georgia



“We constructed more bridges and roads in three years than Saakashvili managed to do in the nine years of his office.”

MOSTLY FALSE

Veriko SUKHIASHVILI  
FactCheck

**D**uring his meeting with citizens in Sagarejo, the Prime Minister of Georgia, Irakli Gharibashvili, stated: “We constructed more bridges and roads in three years than Saakashvili managed to do in the nine years of his office. However, unlike him, we are not trying to pretend that we have built more than we really have. This is the working style of our government. We are only telling the truth.”

FactCheck verified the accuracy of this statement at the request of our readers.

In order to verify the accuracy of the aforementioned statement, we requested information about rehabilitated and constructed roads and bridges from 2004 to 2014 from the Roads Department of Georgia. It should be noted that these statistics do not include information about domestic (local) roads and bridges which were rehabilitated using local municipal funds. Given the fact that requesting information from every one of the country's municipalities would delay the process of our research, we are basing our study solely upon the statistics of the Roads Department of Georgia.

According to the information of the Roads Department of Georgia, a total of 3,434 km of roads were rehabilitated or periodically repaired from 2004 to 2012. A total of 484 bridges were also rehabilitated

whilst no new ones were built.

It should also be noted that according to the information of the Roads Department of Georgia, a total of 220 km of roads were rehabilitated in terms of the Millennium Challenge Georgia Road Rehabilitation Programme in 2009 and 2010. A total of 3,654 km of roads were rehabilitated from 2004 to 2012.

As for the statistics from 2013 to 2015, according to the data of the Roads Department of Georgia, a total of 730.3 km of roads and 109 bridge passes were rehabilitated in this period. About 23 new bridges

were constructed in the same period of time.

We also asked the Roads Department of Georgia for statistics about the on-going activities on the high-speed motorway from 2006 to 2015 and the number of finished roads.

As the statistics reflect, there were on-going activities on 41 km of roads with 16.7 km more of the roadway opened in 2013-2015 than in the period from 2006 to 2012. However, it should be pointed out that the construction of parts of those roads currently completed had been planned and started before 1 October 2012.

Table 1: Roads (km) and Bridges Rehabilitated from 2004 to 2012

No.	Year	Rehabilitation-Periodic Repairs		
		Km	Bridges	Constructed
1	2004	276	32	
2	2005	215	68	
3	2006	322	58	
4	2007	580	41	
5	2008	337	36	
6	2009	630	98	
7	2010	600	100	
8	2011	274	23	
9	2012	200	28	
	Overall	3,434.0	484.0	0.0

Table 2: Roads (km) and Bridges Rehabilitated from 2013 to 2015

Year	Rehabilitated Roads	Rehabilitated Bridge Passes	New Bridges
2013	260 km	45	9
2014	265 km	42	11
2015 (October)	205.3 km	22	3
Overall	730.3 km	109	23

Table 3: On-going Activities on the High-Speed Motorway from 2006 to 2015 and Finished Roads (km)

Year	Active	Finished
2006-2012	280 km	68.5 km
2013-2015 (October)	321 km	85.2 km

## CONCLUSION

A TOTAL OF 3,654 KM OF ROADS WERE REHABILITATED FROM 2004 TO 2012 WHILST 730.3 KM OF ROADS WERE REHABILITATED FROM 2013 TO 2015. AS FOR BRIDGES, A TOTAL OF 484 BRIDGES WERE ALSO REHABILITATED WHILST NO NEW ONES WERE BUILT FROM 2004 TO 2012. ABOUT 23 NEW BRIDGES WERE CONSTRUCTED AND 109 REHABILITATED IN THE PERIOD FROM 2013 TO 2015.

HENCE, FACTCHECK CONCLUDES THAT IRAKLI GHARIBASHVILI'S STATEMENT IS MOSTLY FALSE.



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